

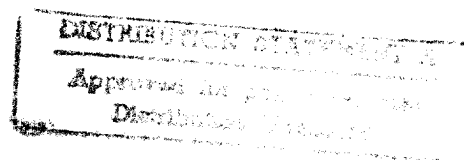
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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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2 May 1984

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ECONOMIST CAUTIONS AGAINST OVERCOMMITMENT TO MICROELECTRONICS

East Berlin WIRTSCHAFTSWISSENSCHAFT in German No 3, Mar 84 pp 381-392

[Article by Prof Dr H. Nick, Institute for Political Economy of Socialism, Academy for Social Sciences, under CC SED: "Information, Information Technology--A Special Element of the Productive Forces"]

[Text] The assertion made in the report of the Central Committee at the 10th Party Congress of the SED that "the potentialities of the scientific-technical revolution have at once become the primary source of productive growth and efficiency for our national economy"<sup>1</sup> is based essentially upon the fact that the scientific-technical revolution has experienced a new vigorous impulse primarily through the extraordinarily great progress which has taken place in information processing technology. Moreover, it is based upon the fact that consequently and as a result of the special economic capabilities of this technology--such as the abrupt expansion of the scope of technology and the intensification of the technological processes--there has been growth and will continue to be growth in the objective potentialities for effecting economic growth through scientific-technical progress. I consider this information processing technology to be the primary process of the scientific-technical revolution.

But here two questions arise which are not infrequently posed: First, if such a characterization of the primary process of the scientific-technical revolution takes cognizance of the manifold forms of that revolution and its complexity will it not rather appear to contradict the fact that in the process of the present scientific-technical revolution all objective elements of productive capacities--labor forces, the materials of labor, energy, technological processes--are being overturned so that it is precisely in this fact that we have one of the fundamental peculiarities of today's scientific-technical revolution? Must not emphasis upon a specific main direction of the scientific-technical revolution lead to simplistic one-sided conclusions and to depreciation of other main directions? Secondly: Does not emphasis upon information processing technology imply a yielding to the tendency toward precipitate generalization and to a historical actualism which cannot be theoretically sustained and which overvalues processes which are taking place at the moment and ascribes to them inappropriate historical dimensions which subsequent developments shall correct?

If at the present time microelectronics, robot technology, electronic controls and electronic data processing--whose common denominator is the technology of information processing--are leaving a permanent impress upon the total process of the scientific-technical revolution then one must not suppose that this will be the situation for all time and that in the future no other technological upheavals will exert a dominant influence upon advances in efficiency and upon the social processes. General statements about the scientific-technical revolution must naturally be "open" for possible developments having an extent and concrete shape unpredictable today. This means, for example, that the contention that the development of microelectronics, of robot technology and of other information processing techniques will for all time have an unsurpassable effect upon economic progress never to be exceeded by any other future innovation is not only indemonstrable and hence valueless but in fact such a contention could turn out to be a hindrance to early recognition of new revolutionary changes--and this could have negative effects by no means trifling.

If then a fundamental process of the scientific-technical revolution is identified as its core process then this carries with it the obligation to prove with impeccable logic that no conceivable future technological innovations can change the bases of such a "core process." Hence these bases may not be inferred from the special economic and social effects of this "core process"; they are only to be obtained through interlinking analyses, that is, by an entirely deductive route and entirely upon a foundation of axiomatic propositions.

Thus when it is asserted that the development and the application of information processing technology is the core process of the scientific-technical revolution then it must be demonstrated that this thesis cannot be shaken or refuted even when technological innovations emerge which--during specific periods--have a much greater effect, in depth and in breadth, upon the development of the economy and of society.

Any other approach is unacceptable, and not only out of general considerations; for this would also mean simply ignoring a multitude of views concerning the scientific-technical revolution and its perspectives. Convincing arguments are brought forward, especially by authors identifying other directions of the scientific-technical revolution as its essential thrust, to support the argument that in the future one must expect revolutions in science and technology having effects which will not lag behind those of microelectronics, robot technology and automation. In this connection we here adduce only three points of view:

In the spirit of Lenin's thesis "communism = Soviet power + electrification of the whole country" future revolutions in the domain of energy production will be seen as the most essential aspects of the scientific-technical revolution. This view maintains that the most important aspect of the scientific-technical revolution is the fact that it will make possible the final solution of the energy problem--by which two things are to be understood: energy production which is in the first place based upon inexhaustible resources and which in the second place is very cheap. Such expectations are linked

especially with the already foreseeable mastery of controlled nuclear fusion, but they are also linked to the use of solar energy (space stations). While the first part of the task will undoubtedly be resolved in the coming decades, the prospects of very cheap energy acquisition have recently dimmed; at least it is true that the preliminary costs (research cost and investments) will be substantially higher than had been assumed in previous years. Nevertheless, it is legitimate to assume that the energy problem will be solved in the above-described sense within the next century. That this will have extraordinarily great positive effects also upon the entire resource problem and upon the entire economic development is certain beyond a doubt.

Others view the replacement of mechanical procedures of material transformation and processing by nonmechanical procedures as a core process of the scientific-technical revolution. Actually what is involved here is an innovation of extraordinary scope; in the last analysis the majority of the most widely disseminated technological procedures (sawing, drilling, planing, grinding, bending, cutting, casting and forging of metals, spinning, weaving, knitting) have their origin in the primitive community; moreover, the inner limitations which these procedures impose upon technical and economic progress are becoming ever more evident in many areas. Undoubtedly economic progress will experience a very powerful impulse from the conquest of these limitations through the introduction of nonmechanical procedures--nuclear technology, plasma technology, laser technology, biotechnology and others.

Finally, the future can very possibly justify those who maintain that in the coming century the most powerful impulses for economic progress will come out of biology, out of biotechnical processes; occasionally it is even maintained that the scientific-technical revolution will be replaced by a scientific-biological revolution.

Thus there remains the question as to what can already be said today with certainty regarding the core process of the scientific-technical revolution without too precipitately pigeon-holing possible--maybe still indiscernible--future developments, thus classifying them in advance as having a lesser significance in comparison with today's revolutions.

The facts of history provide very interesting examples of approaches to this question. In sociological literature the present scientific-technical revolution is generally and properly compared with the industrial revolution of the 18th and 19th centuries. Why, actually? If one were to reply that it was precisely in this latter period--generally the interval between 1760 and 1830 is assigned--there took place what was up to now (i.e., before the scientific-technical revolution) the greatest revolutions in the material-technical basis of life then this would not be a correct answer. If one seeks a period in previous history (also 70 years) in which there emerged in the material-technical basis of life revolutions of the greatest importance with regard to the depth and scope of their effects--that is to say, if one were to look for a period which was from this point of view most comparable with the present scientific-technical revolution then one would certainly not invoke the period between 1760 and 1830 but unquestionably the choice would be for the period between 1850 and 1920. It is not at all true that in the

period of the industrial revolution the fundamental discoveries and inventions of the industrial age were made, so that in a certain sense the "technical revolution" had then taken place, while in the subsequent decades there transpired the "production revolution" based upon it. Rather it is the case that in terms of their numbers and in terms of their importance for the total progress of the forces of production the most important inventions and discoveries--whose industrial realization primarily supports the industrial age--were made after the industrial revolution. It is no more correct to say that the developments in this latter period were merely a "generalization" of the technical achievements of the industrial revolution than it is to say that the electromotor was a further development of the steam engine. The three fundamental discoveries of the industrial revolution were as is well known the spinning machine, the mechanical weaving machine and the steam engine. They also--as Marx and Engels demonstrated--had significant effects upon other branches of industry.

But the list of the basic innovations of the period from 1850 to 1920 looks quite different; it contains, first, the four classical processes of modern steel manufacturing (Bessemer, Thomas, Siemens-Martin processes, electric steel processes); second, the electromotor and electric generator, electrification; third, the internal combustion engine, the automobile and the motor-driven airplane; fourth, chemistry as a special branch of industry; fifth, most of the standard steel machine tools (turning lathe, milling machine and others); sixth, wired and wireless communication; seventh, photography and cinema.

Nevertheless, if one wishes to define the historical dimension of the present scientific-technical revolution more sharply by means of historical analogy one can only turn to the industrial revolution of the 18th and 19th centuries. But this cannot be deduced from the direct effects upon efficiency of the basic innovations of this period, but rather from the newness of the type of technology which was brought forth by the industrial revolution and which signifies primarily an essential change in the distribution of functions between man and the means of production, in the place of man within the production process.

If one understands "technical progress" to mean essentially the progressive endless process of the transfer of human labor activities to technological devices (the means of production) then this presupposes that the functions of technological systems correspond to the labor functions of man. It is possible to define and group these work functions, like the functions of labor devices, from various points of view. And here one can select various degrees of concreteness, detail, etc., or various levels of generalization and aggregation, naturally obtaining in this way also a different number of functions.

If for the characterization of these functions one selects definitions in terms of category, that is, such categories as are immediately subordinate on the one hand only to the concept of labor itself and on the other hand only to the means of production, it then follows that labor has two basic functions: it is always physical and mental work. Analogously, the means of production also carry out two fundamental functions: the production and transformation



of energy (especially operations energy which operates upon the object of labor and effects its modification) and the processing of information. If we take the working machine (Marx called it a machine tool), that is, in the case of machinery if we separate the function of producing energy (driving machine) from the function of conversion of energy (which is naturally impossible in the human case) then we obtain as basic functions of these working machines or machine tools the conversion of energy and the processing of information. A third or a fourth is as impossible here as in the case of human work--which has not three or four but exactly two basic functions. In addition to energy conversion one generally includes among the functions of classical machinery the transformation of material also; but here one is concerned with the external action not with the (internal) functions of the machinery (this transformation material would then also logically have to be listed in addition to physical and mental work as a third basic function of human work).

The unqualified unity of physical and mental work finds its parallel in the inseparable unity of informational and energetic processes in the machine system; of course, information processing requires energy (in contradistinction from the "operational energy" which acts upon the work subject here one is dealing with the so-called "control energy"<sup>2</sup>); conversely, the directed processes of energy and material conversion are regulated and controlled through information processing processes.

Nevertheless, mental and physical work or energetic informational processes are not only logically distinguishable within the means of production, they not only have their individual peculiarities but they can also be differently "distributed" or combined with one another: just as there are labor activities which primarily call for physical work and others which preponderantly require mental work there also exists machinery which principally carries out processes of energy conversion while on the other hand there exists machinery which primarily carries out information processing.

The machinery brought forth by the industrial revolution primarily performed the function of energy conversion. The freeing of the processes of production from the limitations of human physical capacities in labor was the basic effect of this machinery and hence of this revolution upon the forces of production. The technology brought forth by the scientific-technical revolution is on the other hand principally a technology of information processing which in a certain sense multiplies the mental powers of human beings because it frees the labor processes from certain limitations characteristic of human capacity to perform mental work (speed, precision and multilevel capability in executing logical operations and in the transfer and storage of information).

Thus from the fact that both human work and technical systems carry out two basic functions and that in the industrial revolution it is primarily the energy-converting and in the scientific-technical revolution it is primarily processes of mental work which are technologized there results the recognition that both logically and historically both of these technical revolutions are comparable with one another relative to their scope and their historical

dimension. This is something which future developments will not be able to change no matter how great and significant they are.

Automatic, that is to say, autonomously functioning technical systems in material production are in consequence possible only after energy transforming and information processing processes are technologizable and become linked together. This brings forth in particular the new type of technology whose new impetus, in the true sense of the word, is technologized information processing. The new dimension of technical progress which has been opened up by the development of information processing technology consists in this that from now on both basic functions of human labor are technologizable. It is precisely from this that there arises the tendency for the fields of untechnologizable work to be progressively narrower. This means at the same time that new sources of increased productive power in human labor are opened up and that this labor is enriched with elements that are increasingly intellectual and creative. The essential character of this process is not simply the "emergence" of man out of technologically determined systems, but rather it is his new function as "supervisor and regulator" (Marx) of increasingly complex automated processes--his function as "regulator of a higher order." This tendency is in direct contradiction to the socially discredited role of the workingman in the capitalistic system; it corresponds fully and entirely to the fundamental tendency of socialism toward many-sided enhancement of the creative forces of man in accord with the broadening of his mastery of nature.

There is much to be said for the view that also in the long run the development of information processing technology will have when compared with other equally revolutionary technical innovations the greatest sway over the total process of technical progress, because it interpenetrates almost all technical processes, changes them qualitatively and renders new large areas for the first time accessible to the use of technology. Here we shall not go any further into the nature and extent of the potential for efficiency which thus arises.

As long as machinery performed primarily a foundational function--the conversion of energy--the assertion of such a fact as this was of little interest; in the same way it was pointless to observe that in the process of labor and in machine systems there were taking place processes of information acquisition, transfer, storage and processing. The information processes were carried out as mere auxiliaries in production along with human work and along with the mode of functioning of the machines; it would have been simply profitless to expressly state that switches, cams and relays or human speech serve to transmit information.

This means, too, that the political economy saw no occasion to recognize information as a special element of the productive forces; there was simply no special information problem. This situation has fundamentally changed. Today information must be dealt with and its characteristics deeply investigated as a special element of the productive forces. In the book "The Structure of the Material-Technical Basis of Communism" the following are mentioned as elements of the functional structure of this basis: 1) energy basis, 2) means of production, 3) the objects of labor, 4) technology,

5) information, 6) organization of production. "Even though the fourth, fifth and sixth functional elements have no objective character, nevertheless they perform important functions in the production process."<sup>3</sup> In consequence the system of the productive forces would have to be determined by the cooperative action of 1) man as the principal productive force, the subjective element of productive power, 2) the objective concrete elements of productive forces: energy, the means of production, the subject of labor, 3) the objective nonconcrete elements of the productive forces: technology, information, organization.

#### What Constitutes the Information Problem and How Did This Problem Arise?

That the rational mastery of the process of collecting, storing, transmitting and processing information has become a core problem of economic and social progress is attributable to the emergence and sharpening of objective contradictions which were and are observable simultaneously in various domains of social life and which probably constitute the most obvious feature of the information problem, namely its extraordinary polymorphism and complexity.<sup>4</sup> Among the most essential contradictions yielded by a special information problem the most important were the following: 1) knowledge, and in consequence also the content of education have grown explosively in recent decades--in a manner that has often been described. Whether, as is occasionally maintained, knowledge doubles every 10 years or even every 7 years is something which it may not be possible to establish with precision; even if it were to occur every 30 years this means that every generation produces as much knowledge as all the preceding generations together. The basic contradiction which has become increasingly evident has been, however, the fact that the production of new knowledge has increasingly exceeded our capacity to absorb existing knowledge and to systematize the existing fund of knowledge. The access times to stored (anywhere) information have risen although the production of knowledge itself, as especially in the industrial use of knowledge, has come to require increasingly shorter access times, an abbreviation of the time required for the "science--technology--production" cycle.

All this has the consequence that increasingly a special domain of social work has emerged and has acquired both importance and also scope: the sphere of production and the propagation of knowledge.

2) The management and the organization of social processes, namely those of economics are in view of the increasing complication, level of differentiation and complexity as well as the increasing dynamics of the processes are bound up with a progressive growth in the demand for information. In proportion to the economy it is said, for example, that the number of pieces of information required increases exponentially relative to economic growth.

The necessary degree of information available to the managements, especially of great industrial entities, could thus be ever less and less guaranteed in the traditional way, even with the aid of changes in the management organization and with the aid of traditional methods of rationalization. If the technologizing of information processing processes failed to keep pace with the growing scope of information then there would result the following contradictions:

- a. a great portion of necessary information would be missing;
- b. the information would not be sufficiently up-to-date;
- c. the information is "subjectively colored" because it is retransmitted over several levels;
- d. the information is not in the requisite condition; it is either too detailed or it is too aggregated;
- e. the possibility of rapid linking of different pieces of information for different purposes are limited (with respect to time and cost).

Here it is only a question of simply guaranteeing the necessary level of "informedness." But from the point of view of management and planning the information problem ranges far beyond that. It is question primarily of information processes for modeling future complicated activities and it is a question of comparing variants and of carrying out optimizing computations. All this means that the increasing technologizing of information processing processes is also necessary for management and planning in order to keep management cost within limits; but more importantly it is one of the most important prerequisites for enhancing the quality of management activity.

3) The demands for speed and precision in information processing for the purpose of guidance and regulation of technological processes and also the growing number of process parameters which must be guided and regulated exceed to an increasing degree--naturally at different points in time and to different degrees for different processes--the limits of human work capacity so that the transfer of the functions of the immediate guidance and regulation of technological processes by man to the machine has become a condition for further economic progress.

In the automation of production processes there are linked together techniques of energy conversion and of information processing; here at the same time we have the most marked overlapping simultaneously of the areas of application of the different types of information processing technique: electronic data processing, electronic controls, robot technique, microelectronics and others. It is this which gives rise to the high and increasing level of complexity of engineering procedures involving automation.

This also gives rise to the question whether it would not be more relevant not to look upon the information processing technology but rather automation as a core process of the scientific-technical revolution. It is more accurately in accord with the nature of the situation to understand the information processing technology to be the core process of the scientific-technical revolution: first of all, the range of action of information processing technology extends far beyond automated processes; one of the basic effects of the scientific-technical revolution, resulting precisely from the uniqueness of information processing technology, consists precisely in the extraordinary expansion of the area of application of the technology. Secondly, the information processing technology (employed for the purpose of controlling and

regulating technological processes) is exactly the element of the machine system that makes it an automated system; to this extent this information processing technology is also the "core" of automation.

4) An important aspect of the information problem consists in the fact that with increasing material standard of living of human beings and with shorter working hours there has been an especially marked increase in that complex of needs which includes the intellectual-cultural needs, including needs for information and entertainment. Information (which naturally also includes music) and information technology would naturally have to play an important role here.

The emergence of information as a "special" element of the forces of production is also manifested in the fact that it brought forth a special system of information technology which from the outset has been very complicated. The complication of the system of information technology results from the polymorphism and the high level of complexity of these technical systems. Information technology includes the telephone, the apparatus of the postal service, radio and television, electronic data processing, control systems for machines and equipment, and finally also the ball-point pen and the pencil. And most of these elements--for example, electronic data processing facilities with their peripheral technology, or, for another example, the radio--are again extraordinarily complicated and very complex systems. The growing role of information processing technology manifests itself in the fact that scientific-technical progress in the last decade has led especially in this domain to abrupt leaps of the performance parameters, of product variety and, especially also, to the emergence of ever new complex systems of information processing in which the traditional information processing techniques--for example, telephone, monitor--have been integrated and in this way have acquired novel potentialities for effectiveness. Such systems--which again are increasingly linked with one another--are, for example, guidance systems in flexible production automation devices extensively including auxiliary processes, computer-supported technical jobs and design jobs using monitor screen technique, systems of information technique and documentation technique and others. The analysis of the structures of this technology, the systematizing of their elements with the goal of designing them optimally, and with the goal of effective utilization is an important task of industrial engineering.<sup>5</sup>

#### "Information Society?"

The matured and changed role of information and of information technology in the process of the development of the forces of production has moved bourgeois theoreticians to talk about a new type of society--the "information society." This has been taking place entirely on the same theoretical-methodological tracks on which in recent decades an almost uncountable multitude of models of society have been arriving: industrial society, postindustrial society, technotronic age and others. This means, first of all, that objective developmental tendencies of the forces of production have been endowed with a more or less absolute character; secondly, in particular, from these developmental tendencies of the forces of production there have been immediately

inferred--while expressly ignoring social-economic factors, conditions of ownership and the character of political power--conclusions for all essential characteristics and features of society. The concept of the "information society" has been primarily initiated by Japanese scientists (K. Koyama, Y. Masuda) and is becoming increasingly widespread in the United States and western Europe.

Its most essential point of departure is the fact that the shift in employment structure between the domains of industry and information processing<sup>6</sup> in favor of the latter--a shift which at present has been taking place in the developed capitalistic countries--is no less serious than that which took place between the domains of agriculture and industry in the period of industrialization.

The social-political design of the "information society" is on the one hand the theoretical foundation of practical technology policy and industrial policy in developed capitalist countries. Especially in Japan it is the direct theoretical-conceptual platform of a total state program for the development and achievement of a comprehensive system of information processing. It is at the same time--but this is naturally not to be taken too seriously in practical politics--the theoretical-ideological foundation of a social policy design which aims at defining without exception the characteristic features and developmental tendencies of all important areas of social life. In statements very similar to those made by representatives of the "postindustrial society" the authors of the "information society" concept engage in generalizations concerning the structure and character of the forces of production and also generalize about changes in the "form of society," in the social structure and social relationships, in social and ethical values and in "the structures of thought."

Thus it is stated that "industrial society" and "information society" exhibit different social structures, forms of society, social and ethical values and different standards of thought. The former, they say, is characterized amongst other things by labor for pay, job ties, orientation toward the satisfaction of material and emotional wants, the achievement of human fundamental rights. The second, they say, is characterized by contract work, a relationship between men and a social system, orientation toward the production of knowledge, orientation toward multifaceted social wants, based upon an understanding of orders and upon self-control. Here we see confirmed the correctness of the two inferences which it has always been possible to draw from social constructions of this sort: 1) to the extent that the conclusions drawn from the developmental tendencies of modern forces of production have any validity at all for social developmental processes, what is involved can only be objective necessities which are capable of becoming a real possibility and hence of becoming social reality only under socialist conditions. More than anything else it is silence regarding this fundamental fact which makes these conceptions entirely incredible and untrue.

2) The statements, whenever they are statements regarding social relationships and developmental tendencies are theses which are in no sense free of prejudice in their formulation but very often aim at establishing and

justifying specific capitalistic conditions while at the same time wearing the garb of "socially neutral" statements.

The further the scientific-technical revolution advances the more clearly does its essential relationship with the socialist order of society become evident: for the work of producing information may be said what Marx has asserted regarding scientific work, namely that it is general work "characterized in part by cooperation with the living and in part through the use of the work of predecessors."<sup>7</sup> If it was true that those social orders which were based principally upon private ownership of men, soil and the instruments of production bore within them from their very origins the seed of their decline then it may be said that the private possession of information, that is to say, the monopoly of knowledge is certainly a chimera. Information-producing work is general work because it is never the result only of the work of a single individual and because its output is in the very nature of things the property of everyone. The most important economic peculiarity of this work, which distinguishes it from the work of material production, consists precisely in the fact that its effect depends essentially upon repeated use because the cost of finding an idea is a one-time cost in the sense that it arises only once independently of the frequency with which this idea is employed in practice. Naturally, this means neither that it is impossible to have effectively functioning information systems in the capitalist countries nor does it mean that under socialist conditions information may be treated as a property which costs nothing or that information--as is occasionally maintained--by its nature could not be a commodity. Nevertheless, there exists a mutual correspondence between social property, socialist planned economy and the character of information-producing labor as a form of general labor. This mutual correspondence is practically significant and represents an essential impetus in the economic superiority of socialism. In any case things are being turned completely upside down when it is said of the capitalistic economy that it can deal better with the information problem and that therefore it is superior to socialist planned economy and that this superiority is even increasing with the growing role of information and of information processing technology. "A typical example of the tendency which has been mentioned is the impetus in information science which is accompanied by a steady rise in software at the expense of hardware. The reduction of information to a simple commodity which is produced capitalistically like any other commodity and sold in the marketplace has brought with it profound changes in the domain of the production process, in forms of consumption and directly in the nature of the commodities themselves. This change is much more decisive than that which was effected by the shift from manufacturing to large-scale industry in the 18th century."<sup>8</sup> Under the conditions of socialist planned economy, "and with the replacement, through centralized planning, of the marketplace as a factor regulating the production process" it is said to be "impossible to stimulate an expansion of the production of material goods in the domain of information." Capitalistic society is said to have made it possible to extend its conditions of production into the domain of information, a domain where these conditions "did not exist before. Therefore it is quite easy to understand that the same scientific development would have to be inhomogeneous and alien in the social context typical of the USSR where the mass production of information as a

commodity would never be accepted as a social goal and where even the enhancement of the productivity of the labor force for the production of material goods has never possessed priority."<sup>9</sup>

We shall not discuss here any further the contention that securing full employment is the primary goal of the socialist economy and that therefore (!) increasing the productivity of labor is allegedly not so important. Social security has shown itself clearly to be an essential antecedent condition of the superior system of the social motivating forces of the socialist economy. Just how socialism should be incapable of carrying out the production and dissemination of information in a very effective way is something which is utterly incomprehensible. In reality it possesses precisely in this area distinct advantages as compared with the capitalistic profit economy. These advantages consist primarily of the following: 1) socialist society in its entire range from ethical motivation to its system of education possesses more effective subjective and objective prerequisites for highly effective intellectual-creative work and this work is the nourishing soil for the entire production of ideas.

2) Social property and social planned economy are the objective bases of totally social information systems (that is, information systems which are encompassed within socialist economic integration, or which in other words range across national boundaries). Here it should be emphasized that these information systems including the software is dependent just like the technology of physical equipment, in a quite special degree upon the compatibility of its elements, upon the establishment of types and upon standardization. To the degree that software and equipment technology developed into complex complicated systems, to the degree that their system effects acquire importance they emerge from the stage which is characterized by high diversification and the increasing uniformizing of the system elements and system organization becomes an ever more decisive factor in their efficiency. For this it is only socialist conditions of production which provide an adequate social basis.

Naturally, one may not underestimate what it is possible for capitalist countries to attain in this area through state-monopolistic regulation. However, it must also not be overlooked that the requirements of an effective overall economic organization of these processes are in conflict with the private economic bases of their social order. Thus the competitive struggle of the monopolies in the United States has up to now hindered the formation of a national system of information for science and technology--such as exists in Japan, in France and within the framework of the European Economic Community. Thus the Reagan administration and American enterprises influenced by the administration have brutally employed the monopoly of information as a means of exerting pressure against insubordinate West European firms.<sup>10</sup> That this "information war" is primarily directed against the socialist countries is openly asserted.

On the whole this competitive struggle between the monopolies takes place to no small degree via the monopoly of information, by blocking access to this information by third parties, through industrial espionage and the like. To



this there corresponds the fact "that in the economic conflict between highly developed countries the handling of information is acquiring more and more importance as opposed to industrial production," as asserted in a study of the dependence of the FRG upon foreign data banks.<sup>11</sup>

3) The superiority of socialism in coping with the information problem consists essentially in the fact that socialism is capable of cultivating a humanistic mode of living which nurtures the personality and the interests of the community. In capitalism, on the other hand, information technology is directed toward the enhancement and the intensification of exploitation and toward surveillance and manipulation of every domain of human life; and it lightens the task of prevarication.

Information technology is important for the unfolding of the socialist way of life because to an increasing degree it also touches upon the sphere of leisure time, the domestic area. Its great cultural value can be fully opened up only in consonance with the unfolding of all other aspects of the socialist way of life.

Naturally, also while speaking of the advantages of socialism for the mastery of the information problem it must be remembered that these advantages exist objectively only relative to possibility and need and that they become reality only through purposeful action. And this applies to all sides of industrial activity, to the management and planning of these processes as well as to their effective and vigorous stimulation.

#### FOOTNOTES

1. "Report of the Central Committee of the Socialist Unity Party of Germany to the 10th Party Congress of the SED," reporter--E. Honecker, Berlin, 1981, p 49.
2. Compare G. Kalus, "Kybernetik in philosophischer Sicht" [Cybernetics From the Philosophical Point of View], Dietz Publishing House, Berlin, 1961, p 383 ff.
3. Collective of authors under the leadership of S. Chejnmán, "Der Aufbau der materiell-technischen Basis des Kommunismus" [The Structure of the Material-Technical Basis of Communism], Ekonomika Publishing House, Moscow, 1982, p 18 (Russian).
4. The definition and systematizing of information processing technology, the area of information processing activity and information theory as the science of information processing processes is therefore very complicated and by no means finished.
5. In the sociological literature of the GDR Bernd Gross in particular has done important work in this connection (compare B. Gross/K. Lenago, "On the Role of Information Technologies in Accelerating Scientific-Technical Progress and in Applying Economic Strategy," INFORMATIK, No 3, 1982;

B. Gross/B. Scheller, "Information Theoretic Research Programs in Japan," INFORMATIK, No 1, 1983.

6. The area of information acquisition and processing is understood here in a very broad sense including amongst other things public enlightenment and science. Obviously this description reveals the relation between these domains less precisely than it describes the tendency of their change.
7. K. Marx/F. Engels, "Werke" [Works], Dietz Publishing House, Berlin, 1956 to 1968, Vol 25, p 114.
8. M. Cini, "Scientific Innovation and the Form of Society," in "Neue Technik und Sozialismus" [New Technology and Socialism], Argument Publishing House, Berlin (West), 1982, p 76.
9. Loc. cit., p 78.
10. Here the FRANKFURTER RUNDSCHAU of 25 August 1983 reports: "When the United States wanted to impose a pipeline embargo on the Soviet Union it stopped not only the delivery of information-carrying magnetic tapes but also cut off the recalcitrant French daughter firm Desa which wanted to continue deliveries to the USSR from direct electronic access to data banks in the United States. The firm was forced to starve at arm's length from the mother company." The newspaper brings attention to the fact that dependence upon the American information systems threatens to constrict the national sovereignty of the FRG. The paper also reports that subsequently the United States in a dispute with the European Economic Community coined the expression "information war."
11. Loc. cit.

8008

CSO: 2300/378

GERMAN DEMOCRATIC REPUBLIC

PROGRESS REPORTED IN ELECTRIFICATION OF RAIL LINES

East Berlin PRESSE-INFORMATIONEN in German No 29, 8 Mar 84 pp 5-6

['Facts and Figures' report by Press Office, Chairman, GDR Council of Ministers:  
"On the Line Electrification of the Railway System"]

[Text] Between 1981 and 1983, 377 kilometers of railroad lines were electrified, including 151 kilometers in 1983. During these 3 years it was possible to electrify 43 kilometers more than during the entire period of time between 1971 and 1980.

On 15 December 1983 it was possible to open the 25-kilometer long section from Birkenwerder to Loewenberg for the line from Berlin to Rostock which is to be electrified. With the start of operations on the sections between Glasower Damm and Schoenefeld Station and between Schoenefeld Station and Gruenauer Kreuz, the territory of the capital of the GDR was reached last year. This means that we now have continuous electrified lines all the way to Bad Schandau and via Leipzig/Halle all the way to Erfurt. Following the electrification of the Berlin outer loop on the Potsdam--Werder--Wustermark--Birkenwerder section, work commuter traffic and short-haul traffic around Berlin are now also being handled by this energy-saving electrical type of traction.

At the end of 1983, the electrical line sections accounted for 14.7 percent of the entire railroad net. But because of their advantages to the national economy they are being used very intensively and 28.5 percent of all train traction operations were run electrically in 1983. This share is to rise to 33 percent by 1984.

The electrification of heavily used railroad line sections decisively contributes to carrying out socially necessary shipments with the least expenditure to the national economy. This is why electrification represents the key to rationalization in the transportation. An electric locomotive requires only one-third of the energy used up by a diesel locomotive. The decisive thing here is that the energy necessary for its operation is produced from domestic brown coal. Advantages also result from the higher capacity of electrical traction vehicles. They have greater initial traction force, a higher acceleration capacity, and longer operating times. Besides, they offer the most favorable work conditions for the locomotive engineers.

In electrifying a total of 826 kilometers of railroad line during the five-year plan, the important thing is to use all these advantages in the interest of the national economy. At the same time, this creates important prerequisites for shifting even more shipments from the highways to the rails.

In 1984, the national economy plan calls for electrifying 223 kilometers of railroad line section. By the time the train schedules are changed on 2 June, passenger and freight trains are to be moved electrically from the south of the republic all the way to Berlin-Schoeneweide and as of 30 September also all the way to Berlin-Lichtenberg. On the line to Rostock, the Loewenberg-Adamsdorf section near Neustrelitz is to be operational by 2 June and the section from Adamsdorf to Waren (Mueritz) is to become operational by 15 December. Several important sections will be electrified this year likewise in the republic's south, for example, from Glauchau to Goessnitz. This will make it possible to run freight trains from the Leipzig--Altenburg area, using electric locomotives, all the way to Karl-Marx-Stadt, without having to take the detour via Werdau--Zwickau.

Electrification includes the construction or expansion of transformer stations. Here, the voltage is transformed from 110 kilovolt/50 Hertz to the 15 kilovolt/16<sup>2</sup>/<sub>3</sub> Hertz required for the train operating power lines of the German Railroad. Such stations must be placed in operation at Rummelsburg and Adamsdorf in 1984 and the capacity of the stations in Wustermark and Loewenberg must be increased so that the sections can be used intensively.

The workers at the "Hans Beimler" VEB Combine for Locomotive Construction and Electrical Engineering Works at Hennigsdorf also bear great responsibility for electrification. It is their task to turn 65 modern electric locomotives over to the railroad this year.

Particularly difficult problems must be solved in the course of electrification in the Berlin area. They result first of all from the rather dense line network and, besides, from the rapid-transit line whose DC operation differs from the 15-kilovolt AC operation of the railroad. Both circuits must not impair each other and this is why comprehensive work is necessary for their separation.

The automatic signal plant of the rapid-transit line on about 20 kilometers must likewise be removed. This makes it necessary to shift 41 kilometers of power supply cables and 23 kilometers of telecommunications cables. A new track is being built for the rapid-transit line on the Karower Kreuz--Schoenfliess section in order to facilitate the electrification of this segment. By 1985 it will be necessary to erect around 4,000 foundations for pylons in and around Berlin; the safety, telecommunications, and high-voltage current system must be adapted to the new conditions. In addition, construction work is to be done on many bridges.

Work on line section electrification creates high requirements for railroad workers and many enterprises in the national economy especially since the task is to keep running trains and to keep building--a requirement which demands a high level of discipline from the partners. The most important

prerequisite here is exactly coordinated cooperation between all involved. In this process it is from time to time not entirely possible to prevent lines from having to be closed down and to avoid changes in train schedules.

The Berlin electrification and engineering construction enterprise of the German Railroad is responsible for pylon foundations, cable-laying work and for the erection and casting of steel-concrete pylons; the Radebeul VEB Engineering Construction is responsible for the construction of the transformer stations; the railroad transformers come from the VEB Electric Machine-Building Sachsenwerk in Dresden. Workers from the Berlin VEB Signal and Safety Equipment Works are busy adapting the safety systems to electrical traction; overhead power lines are assembled by the workers at the VEB High-voltage Current Overhead Line Construction [Works] in Halle and at the Radebeul VEB Energy Construction. Many other centrally and locally managed enterprises cooperate in the construction of the transformer stations, in pylon foundations, in underground work and in corrosion protection work.

Last year, the workers in all sectors involved achieved great progress. Compared to 1981, output rose to a figure of 214 percent in placing foundations, to 181 percent in assembling the pylons, and to 167 percent in assembling the overhead lines--which the railroad workers call catenary works.

More than half of the results achieved in 1983 can be credited to young workers who cooperated in solving this task, which is so important to the national economy, in the context of the Central Youth Project entitled "Electrification of Railroad Line Sections." The 98 youth brigades with 712 members accomplished the tasks assigned to them for 44 youth project segments to the extent of 128 percent. Pacesetter results were achieved wherever youth teams, youth brigades, or youth construction trains were employed in a concentrated manner.

In 1984, more than 56 percent of the electrification work and the production of electric locomotives are to be accomplished by young people; 1,230 young people from industry, from the building trades, and from the transportation industry will cooperate in 79 youth brigades.

At the FDJ [Free German Youth] aktiv conference of the Central Youth Project "Electrification of Railroad Line Sections" on 17 February 1984, 12 FDJ base organizations were given group assignments. The youth brigades assigned to line section electrification were urged at that time to accomplish all planned tasks ahead of schedule and with little expenditure and thus to create the prerequisites for connecting the Berlin-Lichtenberg--Birkenwerder section to the electrified network already this year.

Prerequisites for a fast tempo in electrification were created in recent years through the development of highly-productive technologies. Concrete is being made today directly on the spot in mixing trains; prefabricated parts and pile-driving equipment are being used more and more in placing pylon foundations and preference is being given to the concrete pylon. The excavation work necessary for the foundations of the pylons is being done with rail-mounted drilling equipment or special excavators which can be

employed not only from the ground but also from the car. Prefabricated round and casing foundations are extensively being placed in the boreholes.

Often one can observe the employment of helicopters in the assembly of overhead power line pylons. Compared to conventional equipment, this increases the labor productivity in setting up overhead line pylons ten-fold, eleven-fold when the trusses are flown in, and five-fold when the reinforcement lines are strung.

As far as the railroad workers are concerned, electrification means thoroughly preparing themselves for the new conditions.

Locomotive engineers are being retrained and prerequisites are being created for the technical maintenance of electrical locomotives in the Neustrelitz current repair shop for locomotives--this is where the first electrically-pulled trains will arrive early in June. Among the 350 locomotive engineers at this particular repair shop, 110 already are completely qualified while 150 completed their theoretical training by the end of last year. Others will join them this year. After acquiring theoretical knowledge, the trainees are taken on so-called training runs on already electrified line sections.

The people at Neustrelitz have also prepared themselves well for the care and maintenance of the new locomotives. For example, a roof working platform, a transportation frame for the current collectors, and hoisting devices for the traction motors have been built.

5058

CSO: 2300/393

GERMAN DEMOCRATIC REPUBLIC

INDIGNANT REFUTATION OF FRG STORY ON GDR UNEMPLOYMENT

Karl-Marx-Stadt FREIE PRESSE in German 17 Mar 84 p 6

[Article by Dr P. Schulze, deputy chairman, District Council, Transport and Telecommunications: "A Clumsy Lie - The Story is a Total Fabrication"]

[Excerpts] In a big spread, the West Berlin MORGENPOST presented its readers with a sensation: unemployment in the GDR!

The photograph plays a special part in this. Two young girls from the GDR, Christine Richter and Katrin Koecher from Aue, are used as star witnesses for the claim that under actual socialism, the young generation in the final analysis must expect the same as under capitalism: no job, no prospects worth living for.

In the following we document what the MORGENPOST, of the imperialist Springer press, will never tell their readers:

The lie: The accompanying photograph supposedly shows two youngsters from our republic who can expect the fate of unemployment after their apprenticeship in the factory. [Caption:] Young East Germans in training. They, too, can no longer count on a secure job after their apprenticeship.

The truth: Three years ago, on 25 February 1981, ADN Zentralbild [Central Picture] distributed the photograph taken in the Karl-Marx-Stadt district. It was also carried by the FRG news agency dpa with the following, correct caption:

Katrin Koecher (right) and Christine Richter (left) have reason to be happy: in their polytechnical training, they received an A in oxyacetylene welding. The students are taught the subjects of metal-working and electrical engineering in the Polytechnical Combine "A.S. Makarenko." Ten years of schooling, including polytechnical training for 13-16 year old pupils, are mandatory in the GDR.

The BERLINER MORGENPOST suppressed this text in order to be able to fabricate their fraudulent story.

They Would Like to Have it That Way.

Another antisocialist lie has been exploded.

Since our republic has been subjected to concentrated attacks by the imperialist media for 35 years, we have extensive experience with such attempts at slandering socialism. In this respect, the MORGENPOST has only added a new leaf to the roster of offenses perpetrated by the bourgeois yellow press.

However, in a certain way the newspaper deserves credit: it provides an up-to-date situation report on how deeply anti-GDR propaganda is on the defensive, and on the miserable condition of their intellectual weapons. Two quotes to illustrate this point:

"The secretary of a service firm in Auerbach, Erzgebirge, spent days polishing her typewriter because of a lack of work. No paper work needed doing."

"Mainly affected by hidden unemployment in the 'GDR' are laborers and skilled workers in the construction industry."

The fabrication team on duty must have had a very bad day when it dressed up this story. As is well-known, especially areas such as the service and construction sectors are constantly being expanded.

The most telling paragraph of the text, however, comes a little later:

"Many of the unemployed in the GDR make comparisons with the problem of unemployment in the West. There is the feeling that actually, one can 'manage' on the unemployment compensation in the FRG. There is no comparable financial aid in the 'GDR' since officially, unemployment is not permitted to exist."

And right there is the rub. The lovely fairy tale of healthy capitalism can no longer be plausibly told in the rough everyday life of permanent crisis. So the slogan is now: While capitalism cannot ensure the human right to work, socialism cannot, either. But unemployment under capitalism is much, much better than in the socialist GDR.

Unemployment in the GDR--they would like to have it that way, but nothing doing. Our socialist democracy ensures the people's right to work as well as the right to education and housing, to relaxation, sports, preventive medical care and old-age assistance. It says so in the proclamation on the 35th anniversary of the founding of the GDR, and it will remain so.

We run our socialism the way we need it, and not the way our enemies would like to have it.

9917

CSO: 2300/377



GERMAN DEMOCRATIC REPUBLIC

ECONOMY NEEDS MORE MATHEMATICIANS, FARM WORKERS

Overcoming Negative Motivations

West Berlin IWE WIRTSCHAFTSDIENST in German No 9/10, 1 Mar 84 p 4

/Unsigned Article/

/Text/ The GDR lacks mathematicians. Prof Dr Lothar Budach, Humboldt University, East Berlin, explained that universities and colleges found themselves "in a difficult situation," because far more mathematicians are needed than there are students majoring in that discipline. According to the university teacher, 3 times more university entrants would be needed for undergraduate studies of mathematics in order to satisfy the demands of the economy. Professor Budach said that, among other factors, past mistakes in the employment of- fers to mathematics graduates were responsible for "negative motivations" among GDR high school leavers. There had been some quite absurd situations, when mathematicians were employed as bookkeepers. The result had been some prejudice against mathematics.

More Apprentices for Agriculture

East Berlin NEUES DEUTSCHLAND in German 28 Mar 84 p 2

/Article by L. Schueler/

/Text/ Just now an important stage of further education in rural areas is coming to a close. From October through March, 520,000 cooperative farmers attended schools of cooperative work and acquired knowledge about the realization of our Marxist-Leninist policy in the 35 years of our state. Most of the discussion sessions displayed a high standard. This is not surprising, because these were assemblies of experts. Roughly 90 percent of the working people in socialist farming now are at least vocational school graduates.

It is a proud achievement when we compare it with the status the year our republic was established. Then so few farmers were trained that they did not even show up in the statistics. At the first rural youth congress in 1949, the FDJ launched an appeal "farm work must become a profession." In 1960, the year of the socialist spring, one tenth of farmers had already received training. The present figure is nine tenths. In precise figures: 623,000 working people among the 840,000 employed in socialist farming have graduated from vocational training, 73,000 are college and technical school cadres, 54,000 foremen.

As the closest allies of the working class, the class of cooperative farmers represents one of the pillars of our state. Farming embraces many professions. Last winter, for example, many farmers acquired scientific-technical knowledge for their particular jobs, enabling them to master the more challenging tasks of the future, by greater knowledge lay the foundation stone for more abundant harvests. To be mentioned is the training of skilled irrigation workers, the acquisition of milking licenses, the training of herdsmen and women with respect to feed management, the preparation of mechanizers for the cultivating and harvesting campaigns.

The training of the rising generation is a task featured on the program year-round. Here is the present emphasis in the cooperatives, because the recruitment of young farmers from their own ranks is primarily a matter for the cooperative farmers themselves.

Fortunately a positive trend has been noticeable in the past few years. In 1979 only 12.2 percent of the farm labor force was below the age of 25, last year 14.7 percent of farm manpower was recorded in this age group. This is where the FDJ animal husbandry initiative paid off: It resulted in the reinforcement of the youth federation's 218 sponsor LPG's for animal husbandry.

Many LPG's are endeavoring year by year with growing success to recruit young people. They themselves carry on practical training, hold recruitment drives among the children of cooperative farmers and other village children from an early age and get their apprentices to become members of the cooperatives. Two fifth of apprentices, for example, now become members of the cooperatives while they are training. That encourages their development and helps the young people to grow into the class of cooperative farmers.

These young people--this year another 25,000 will take up an apprenticeship in socialist agriculture--are sensitively guided and instructed by experienced specialists in all matters involving the round of land-crop-animal-land. As masters of their trade they continue the work begun at the establishment of our republic 35 years ago.

11698

CSO: 2300/388

GOVERNMENT ENCOURAGES PRIVATE HOME CONSTRUCTION

East Berlin PRESSE-INFORMATIONEN in German No 33, 16 Mar 84 p 6

/Unsigned Article: "Private Home Construction Integral Part of Housing Construction Program"/

/Text/ Private home construction is an integral part of the housing construction program. In the years 1971-1983 roughly 135,000 private home have been built--43,910 in 1981-1983. Private home construction accounts for an annual average 11 percent of total planned housing construction.

When approving the construction of private homes in their regions, local state organs in cities and communities give priority to applications from workers and large families. In the past workers and cooperative farmers moved into and occupied 67 percent of completed private homes, families with three or more children into 19 percent. Twenty-five percent were young couples.

Private home construction is demonstrably an effective social measure for the resolution of the housing problem as a social problem through 1990. At the same time the decisions issued by the mayors guarantee that the greatest possible sociopolitical efficacy is achieved with the available material and financial funds, together with the involvement of citizens' initiatives for backing up individual efforts.

Our workers-and-farmers state provides generous assistance to working people building their private homes. Citizens who construct a private home have the right for the construction of their home to call upon a state loan in the amount of the maximum permissible cost normative, less a 10 percent down payment of their own. These loans are granted by the competent local banks following the mayor's approval of the loan contract.

The loan is divided into an interest-free part to finance the cost of building materials and another part, subject to a 4 percent interest charge, used to finance the work performances of enterprises as well as the work of friends and neighbors. If the citizen does not have his own building land nor intends to buy it, he is granted the usufruct of a state-owned piece of land. He does not need to pay any compensation for use of the site.

The rate of loan amortization and the interest payments may not exceed the comparable rent of a new housing unit. To stimulate citizens' own efforts, a state amortization subsidy is granted in the amount of 10 percent of such performances.

Ancillary buildings such as garages, barns for small livestock keeping and workshops as well as sheds may be additionally financed by a loan carrying 4 percent interest. Building work serving the modernization and repair of existing private homes may also involve loans if the proper standards are observed. Here also the individual's own contribution is 10 percent of the total construction amount. Financial assistance from the enterprises or institutions employing the private home builder may amount to up to M10,000.

The construction of new private homes proceeds by way of centrally confirmed plans. These orient to the cheapest and most energy efficient method and guarantee the observance of state cost normatives. Currently we have 25 different plans for one and two family homes, row houses and prefabricated houses. For rural areas this supply is supplemented by standardized complementary structures such as barns for small livestock and ancillary buildings. The central plans are kept up to date by supplementary catalogues and informational materials. The plans are made available to citizens by district construction offices and kreis advisory agencies.

In the interest of the national economy and the individual citizen it is necessary in private home construction also to husband material and financial resources. It is imperative, in particular, to derive the greatest possible benefit from the efficient use of steel, cement and lumber and, at the same time, conservatively manage the available building land and the necessary site development.

The most efficient approach is the construction of row houses and duplexes. This requires 30 percent less building land, reduces development and structural costs by up to 30 percent and 15 percent respectively, and achieves some 25 percent energy savings. In recent years more and more private homes have been constructed by these methods, and their numbers will increase further.

The modernization and repair of existing private homes will grow substantially in the coming years, analogous to housing construction generally. Resolute modernization of the available building stock is imperative for the improvement of housing conditions, especially in rural areas.

Citizens wishing to modernize and repair their private homes may apply for their project to be included in the state construction balance of the respective kreis and purchase the necessary building materials from the building materials trade within the framework of the public need. The Construction Materials Supply Combine VEB supplied building materials to the value of about M55 million in 1983 alone to citizens for the modernization of their private homes. This involved some 5,000 supply contracts in the scope of the construction balances of kreis construction offices.

Particular attention is needed for the development of private home construction in rural areas. Also encouraged is the construction of private homes in kreis and medium sized cities, in order to use row houses for closing gaps in inner city districts. Together with the architectural planners, the GDR Construction Academy therefore developed types of buildings, that permit greater flexibility and adaptability to various sites and, at the same time, utilize

available prefabrication capacities. Good examples have been furnished by the kreis cities Guestrow and Bad Langensalza.

All these measures are part of the great sociopolitical program and designed to help families to quickly complete their private homes, enabling them to organize their lives in the new home in social well-being.

11698

CSO: 2300/387

WAITING, IDLE PERIODS NULLIFY GAINS IN LABOR PRODUCTIVITY

Erfurt DAS VOLK in German 27 Feb 84 p 3

[Article by Jochen Thiele: "Easy Come, Easy Go?"]

[Text] Here we are to speak of a subject that concerns us all and that is becoming more volatile with progressive intensification in every enterprise: the saving of time and greater productivity. Since we have acknowledged as a law for our actions the famous words of Marx about the economics of time, in which all economics ultimately is contained, we very ambitiously strive from year to year to be increasingly sparing with our time.

The fewer hours, weeks or months we need for producing a product, the more time we gain, as Marx says, "for other production, material or intellectual."

The saving of time or productivity is not something for us to enjoy in the future. Good work results that we achieve here pay off in the present. But inadequate results land on our own toes and they diminish our latitude for interaction of economic and social policy. When we save time, we do that for ourselves. But if we throw away productivity, that will turn against us and we are living at the expense of others.

Why Is the Saving of Labor Time Not Fully Effective?

The bezirk delegates conference of our party pointed out these relationships. Based on an example from the main enterprise of the Herbert Warnke Conversion Technology Combine, it was critical of the fact that there is a contradiction between the time savings of 923,000 hours accounted for last year and the achieved increase in labor productivity. We recently looked into this state of affairs that surprises many people. In an enterprise, mind you, that truly has pronounced strengths in time saving through science and technology as well as through complex rationalization and the use of robots. And yet the increase in productivity does not quite stand up to all of that. We passed the question on to workers, design engineers, technologists and managers: why are your time savings not fully effective?

Portal miller Klaus Schellhorn, a highly qualified worker in the continuous three-shift system, indicates one of the gaps into which the planned productivity flows: "The relay week could give us 3 or 4 hours a day in machine utilization, but much is lost through waiting time and shutdown time. In the

case of a repair job, it is sometimes an hour before the mechanic even arrives." Comrade Schellhorn is not working at just any machine but a particularly productive one. As is the case for others in this up-to-date production area, he is entrusted with capital assets worth millions. So an hour won or lost counts double or triple.

#### Crucial: Quality of Planning and Management

Maintenance-related downtimes are 30 percent too high, adds Dr Paul Haerting, director for organization and data processing. That is a problem that has concerned management for some time but which one must finally get a grasp of. Beyond that, he sees a performance reserve of 5 to 10 percent in improving production continuity. The director makes no secret of the fact that management has first responsibility for that. "Whether our time savings is fully effective or is partially consumed is decided above all by the quality of management and planning." It is here where the workers of Conversion Technology want to apply leverage more purposefully in the future. Above all, they want to make greater use of the advantages of up-to-date computer technology and thus provide themselves more security.

And the design engineer, is he concerned with the question of time and productivity? And how! "The market dictates the tempo; we cannot choose it," states graduated engineer Sig Hallmann, section manager in research and development. Today one must be able to deliver a large custom-built press in 8 to 10 months, whereas previously 2 years was adequate. If one does not meet the required time schedule, then the planned deal will fall through even for good products.

Because specialists and electricians are familiar with these constraints, from the very beginning they pay attention to constructions that are favorable in regard to technology and assembly. "But there is still too much reworking for new machines, and this is a burden on the time fund." According to Sigurd Hallmann, one must tackle this reserve even more effectively together, in a productive partnership of design engineers, technologists and workers. Comrade Peter Froehlich, group manager in technology, sees things similarly: "Quality losses are productivity losses. Precisely in the case of small parts, I consider processing errors to be 25 to 30 percent too high. Here we must take ourselves more severely to task."

#### Making Known Reserves Productive

All in all, calculate shrewd brains at Conversion Technology, the capacity of a month's production could be gained if these reserves were opened up. But it is not enough just to take this into consideration. Whoever wants to be sure of the required productivity success must think things through to the end--a motto that is valid not just for Conversion Technology but for every enterprise. If the new performance evaluation, which forces one to take an even closer look at the relationship between expenditures and results, is not to lead to an unhappy awakening when one takes a glance at his own balance, then more importance must be attached to the qualitative factors of growth.

From the manager to the worker, each has a full measure of responsibility to see to it that reserves for intensifying and increasing labor productivity are not covered up but uncovered. We are after these reserves not because of the reserves themselves but because of their effect on the meaning of socialism. We have every reason to say and to guarantee: no longer should time that has been gained slip through our fingers.

9746

CSO: 2300/389



REPORT ON STATE OF BROWN COAL INDUSTRY

East Berlin PRESSE INFORMATIONEN in German No 31, 13 Mar 84 pp 5-6

[Unsigned article: "All About Lignite: Facts and Figures"]

[Text] The tremendous development of brown coal mining in the GDR is closely connected with the growth of the republic. Raw brown coal extraction more than doubled since our worker-and-peasant state was founded. In 1949, 124.9 million tons were mined but in 1983 the figure was already 278 million tons. During the past 3 years alone, raw brown coal mining grew by about 20 million tons. A high growth rate will also be necessary during the next several years.

This output development took place in spite of the deterioration in the geological mining conditions. In 1960, it was necessary to remove 2.85 cubic meters of overburden to get 1 ton of raw brown coal; today it is necessary to move 4.33 cubic meters of overburden. This ratio will deteriorate further during the coming years. Figures of 6-7 cubic meters per ton will then be the rule and in exceptional cases they will rise above 10:1.

Brown coal mining was given special impetus by the resolutions of the tenth Party Congress of the SED. They orient us toward the even faster growth of brown coal mining and the increased use of refined solid fuels in the national economy.

Raw brown coal is of enormous significance to the GDR as a domestic energy base. Today, around 71 percent of the entire energy source yield are supplied by raw brown coal. Around 83 percent of the electric energy are generated on the basis of raw brown coal and around 39 percent of the city gas we use in the GDR come from raw brown coal.

Between 1970 and 1983, 17 strip mines ran out. During that same period of time, 13 new strip mines were placed in operation, such as in Delitzsch Southwest, Nachterstedt, Merseburg-East, Profen-South, Groitzsch Triangle, Peres, Schlabendorf South, Jaenschwalde, Cottbus North, Nochten, Baerwalde, Cospuden, and Spree Valley Northeast. Another strip mine was added this year at Dreiweibern.

Requirements are stiff for the supply of refined solid fuels. They include among others brown coal briquets, brown coal burning dust, and brown coal

coke. In 1949, the briquet factories annually produced 34.7 million tons of brown coal briquets; today the figure is around 50 million tons. Brown coal burning dust production developed particularly quickly. Over the past 3 years it almost doubled. By 1990 it will again grown twice as much. In 1983, screening coal production rose to a figure of 142 percent compared to 1980. The annual output is approaching 10 million tons. Since 1980, about 2.6 million tons of brown coal high-temperature coke have been produced annually. The quantity of brown coal low-temperature coke was 3.2 million tons in 1983.

The build-up of the country's energy base is closely tied in with development of an efficient machine-building and electrical systems construction industry. These are the areas from which we get equipment with whose help the complicated geological mining conditions can be mastered and with whose help labor productivity and effectiveness can be increased decisively. Overburden bridge conveyers, which years ago removed 34 meters, today already have a capacity of 60 meters. The 60-meter overburden bridge conveyers presently are the most efficient equipment combination. With their help we can move more than 110 million cubic meters of overburden per year. Moreover, we have developed bucket chain and bucket-wheel excavators which can move more than 40 million cubic meters of overburden per year. Parallel to that, we have conveyer systems working with a width of up to 2,500 millimeters.

The supply of highly effective equipment enables us considerably to increase labor productivity. In 1983 it rose to 132.7 percent compared to 1980.

In 1960, the most productive strip mine achieved an overburden movement of 40 million cubic meters, the average was 13.4 million cubic meters, while the brown coal extraction volume was 17.9 million tons, with an average of 5 million tons. In 1983, the optimum values were 177.1 million cubic meters of overburden and 29.2 million tons of raw brown coal. The average figures rose to 31.5 million cubic meters of overburden and 8.4 million tons of raw brown coal.

Overburden is obtained mostly with the help of bridge conveyer operation. On the other hand, raw brown coal is moved mostly via train operation.

To accomplish its tasks, the GDR coal industry among other things has almost 1,000 electric locomotives, 3,600 kilometers of track, and 697 kilometers of rails for large-scale strip mine equipment.

The directive of the Tenth Congress of the SED calls for the brown coal industry and for energy generation to be significantly expanded between 1981 and 1985. This is why annually why about 28-29 percent of the investments for the coal and energy industry are being made available to commission new capacities.

The value of the basic asset in the coal industry today is M26.6 billion. Every production worker is responsible for productive basic assets worth an average of M250,000. But there are also work stations where this figure comes to several million marks.

The production facilities in the briquet factories are being utilized to the extent of more than 90 percent while the figure in the strip mines, as far as the main performance equipment units are concerned, are between 60 and 80 percent of the calendar time. Because of its specific character, train operation technology reveals utilization figures of only between 40-60 percent per calendar day.

The increased use of domestic energy sources in the national economy creates ever higher requirements for the quality of the final product. In the strip mines, it is therefore necessary to extract the best coal grades, to ship them to the consumers in accordance with quality requirements, and to use them and process them in the processing enterprises with a high degree of effectiveness. Depending upon the further processing purpose, we distinguish gas coal, high-bituminous lignite coal, briquetting coal, and boiler coal.

The use of secondary raw materials, which are obtained during coal mining, is assuming increasing significance. In 1983, the following were made available, among other things, for other sectors of the national economy: About 2.2 million tons of clay for the construction industry, industrial ceramics, and the fireproof industry; about 2.4 million tons of gravel for the construction industry and local enterprises; around 400-500 million cubic meters of water for industry and for drinking water supply; about 110,000 cubic meters of foundry sand; and about 47,000 cubic meters of kaolin.

The strip mines, briquet factories, and industrial power plants today employ more than 111,000 workers. They work in the continuous three shift operating system. The GDR brown coal industry has experienced foremen and skilled workers and a large number of highly skilled college and technical school engineers. Its share out of the total personnel force is 11.5 percent. More than one quarter of the employees are women. About 8 percent of them are in management positions. Women are offered a broad field of activity: From general manager, for example, in the Bitterfeld brown coal combine, via manager, foreman all the way to driver of a big strip mine unit or supervisor of a system in a briquet factory, from engineer and economist in the scientific-technical and economic sectors all the way to staff member in the supply installations.

In 1983, 3,642 apprentices took vocational training courses in the enterprise vocational training schools in the brown coal combines, includes 245 who obtained vocational training with the high school equivalency degree. Around 3,600 young people during that same year completed their vocational training and started working as skilled workers in the most varied sectors of production, maintenance, and administration.

During the 35 years of the republic's existence, building on the now historical achievement Adolf Hennecke, socialist competition has developed tremendously also in brown coal mining. Around 26 years ago, Willy Wehner, from the Thraena brown coal mine, issued a challenge to the effect that one additional train of raw brown coal be removed during every shift on top of the plan for the strip mine equipment unit. He was inspired by the miner Nikolai Mamai from the USSR who had pledged daily to mine 1.5 tons of coal above and beyond his shift norm.

Basically, the Wehner method proved itself to this very day. Breaking the plan down for each equipment unit and each work team is the prerequisite for conscious competition and performance comparison. Throughout the history of GDR brown coal mining, individuals and teams made a name for themselves in socialist competition in many different ways. The content and quality of socialist competition naturally changed in keeping with concrete conditions. Today, the teams are more geared toward qualitative indexes. For instance, the miners at the Welzow South large-scale strip mine organized competition on the most powerful overburden bridge conveyer in accordance with new criteria. The initiative of the miners from the Lohsa strip mine in the struggle to achieve zero-defect results is also exemplary.

Working according to the criteria of the 1980's means handling assets more economically and making better use of them. During the 35th year of the republic's existence we are therefore making greater use of performance comparisons to open up reserves. Starting in this year, we extended the performance comparison between all strip mines and briquet factories in the industry branch beyond the combine limits in order to overall any as yet existing differences. The coal miners intend to mine 5 million tons of raw brown coal above the plan--for the year 1984--without using any additional assets.

The extraction of raw brown coal was and is connected with profound changes in the territories and in the life of many people. Quite a few towns had to yield to coal because dumping was necessary on large areas that had been used for agriculture and forestry. That of course is not a pleasant aspect of brown coal mining but it cannot be avoided since the country's national economy urgently needs coal. The problems arising for citizens in the regions involved are being solved by government agencies on the basis of cooperation with them, based on trust.

Between 1960 and 1982, the coal industry claimed a surface area of about 55,000 hectares, while 44,000 hectares were reclaimed and restored for use. The reclamation of these surface areas and restoration are tasks to which the brown coal combines are devoting themselves more and more. In so doing they work closely with the councils of the bezirks and kreises. Examples of coordinated development of the landscape following mining operations are Lake Senftenberg, Lake Knappen, and Lake Kulkwitz which were developed into close-in recreation centers from former strip mines. The rehabilitation of exhausted strip mines is being planned and carried out in long-range terms.

5058

CSO: 2300/390

ECONOMIST WINS PRIZE FOR DREAM ENTERPRISE OF YEAR 2000

Budapest OTLET in Hungarian 22 Mar 84 p 30

[Interview with Dr Otto Purityi; date and place not specified]

[Text] What will the turn-of-the millennium enterprise be like? According to Dr. Otto Purityi the sphere controlled by the regulatory system and the directly controlled sphere will be much more strongly divided in the economy in the year 2000 than today. That is to say: the independent, profit-interested, expenditure-sensitive enterprises on the "free-competition" market will match strength with each other.

[Question] Isn't it an exaggeration to predict such a thing? Could a change as big as this take place in Hungary within sixteen years?

[Answer] One by one I took the developmental trends which have already emerged in years past in order to give the main features of the turn-of-the-mellennium enterprise, says the research director of the Theoretical Research Institute of Trade Unions, who with his essay won the essay-competition paper entitled "The Enterprise of the Future" of the Scientific Society of Organization and Management. For example, the long-since announced enterprise independence will be realized by the year 2000. I'm not only thinking of legal independence--although this needs implementation--but also that the enterprise is able to live to see its independence. The average, thrifty, profit-making organization should have enough money at least for keeping on a dynamic level as well as for flexible accommodation. The circumstances should be such that sensible choices in the utilization of production factors can also be made.

[Question] The condition for this, however, is that for the enterprise, each forint--be it expenditures or money directed toward development--should be equally hard.

[Answer] The unfortunate situation that an enterprise's expenditure forint--also on the basis of large-scale calculations--is hardly worth a forint must cease to exist by the turn of the millennium. At the same time a forint paid out for a wage increase or for development costs twice or four times as much. With the modification of the income and earnings regulations these contradictions are more and more disappearing. Profit is becoming the indicator on the basis of which the market, not the upper-level leadership, evaluates the enterprise. The market rates the enterprise's economic strength, creditworthiness, and determines the position occupied by the enterprise. Beyond all these things, it has to recognize the additional profit, the excess profit, which goes for the development and marketing of technical novelties.

[Question] Who has to recognize this?

[Answer] The market, but probably the price revisers, too. Presumably, price control will not cease to exist by the year 2000, but the essential thing is that we examine the profit content of products not just in itself, but also the use value, while taking into account the market demand. This will speed up technical development. We can regard, however, as the one most important condition the fact that the economic security of the enterprises will be essentially greater than at present. Only the market, not economy control, can endanger that. Today the uncertainty which can be met within the interested parties--the withdrawals, the additional taxation of developmental funds--makes rational management more difficult.

[Question] Do you think that the deficiency management in Hungary can be brought to an end?

[Answer] It is not a matter of a few preconditions but of the parallel development of control and enterprise management. As the enterprises' independence gradually increases, the interested party's system becomes more modern, and management will also be more efficient, more flexible. All this increases the national economy's resources, which makes possible partial convertibility of the forint, freer import management, more intensive contact with the international division of labor than up until now. The upshot: elimination of deficiency management, the enterprises' growing security about supplies. More and more this will determine how much manpower, credit, material, machinery and tools they obtain, how much money they have at their disposal. The strengthening of market relations, however, does not mean that the State's responsibility for the allocation of provisions ceases, with raw materials usable for many purposes, with typical semifinished products, binding elements. With state orders the state machinery will guarantee uninterrupted allocation of provisions. The enterprises, however, will be interested in the fulfillment of such orders, because for them it means production security, guaranteed profits and utilization of resources.

[Question] If competition of domestic enterprises develops, and the market economy becomes fundamental...

[Answer] In my opinion this is not an overbold idea. In commerce and in industry the mechanism of the genesis, liberation and circulation of capital evolved step by step; this mechanism is the condition for the strengthening of competition. It is true that today the origin of capital is not solvable, frequently the budget from a good enterprise is forced to take away the surplus revenues in order to help out the weak economic organizations. For this reason the work of bond issuers, for example, is difficult nowadays. The enterprises scarcely have at their disposal free, investable resources. With the coming into being of the bond and the stock market the circulation of resources picks up speed to the point where deficiency is to be found in the economy, and with the organization of production greater profits are attainable.

[Question] In your opinion what is the difference between the capitalist and socialist capital?

[Answer] In the enterprises there is no difference. The fundamental thing is what do we use the capital for in the dimensions of the national economy. The task of socialist management is to guarantee the enforcement of the law of planned balanced development and the unexploited utilization of nascent capital so that from the proceeds the workers participate directly to a greater and greater extent.

[Question] In what way will the ownerships develop in the course of the coming 16 years?

[Answer] They will not change essentially, but the forms up until now will become increasingly separate. In my opinion the law of harmony of production forces and production relations is valid not only in time but also in space. This means that the production, management and ownership relations have to be guided by the advanced developmental state and concentration of the production forces and by the fundamental or less fundamental character of the activities within the national economy. Accordingly, five sectors are beginning to take shape. One is the "state enterprise" sector, which performs the nationwide fundamental functions, then the public utilities and the communes which provide power production and transportation via direct state-machinery supervision or supervision of local authorities. There remain--in accordance with the state of development of production forces--the cooperative and the private sectors.

In large-scale industrial works the state enterprise, in the case of less concentrated production forces the cooperative, the small enterprise or private farming is the reasonable one. In management, however, the regulatory system and the market, respectively, play

the main role. Accordingly, the State in the competition sector gradually and subtly withdraws from the economy, while in other areas, such as fundamental allocation of provisions, the implementation of international agreements, or the national defense, it participates even more actively than up until now.

[Question] What will be the subsequent fate of your essay?

[Answer] I'll continue to work on it, because I would like it to appear in book form. At the same time several new ideas have emerged, for which an answer must likewise be given. For example, nowadays in some matters certain tendencies toward overdemocratization are to be found. I would also like to analyze these in detail in order to bring to light what damage their spread can cause. It may appear strange that precisely a trade-union person says this, but it is the very defense of democracy which compels it. Where we run on ahead with formal democracy, we impoverish its content. For instance, in professional circles one of the formulated concepts is that we have to continue to develop wage control on the basis of the reconciliation of interests. The Chamber of Commerce would represent the employers, the trade unions, however, represent the workers, and on the basis of the discussion which developed between them, in which, in a given case, the government would also take part, they parcel out the nationwide wage increase. In my opinion this would lead to a new plan-demolishment system and would in no way promote the achievement of the perceptible, more favorable economic processes and the substantial democratization of economy management.

12327

CSO: 2500/298



DATA OF FOREIGN TRADE FOR 1983, JANUARY 1984

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 13 Feb 84 pp 29-30

[Text] According to final statistics of the Federal Statistics Office, foreign trade for 1983 suffered from stagnation of exports and some reduction in imports.

Total value of exports and imports last year amounted to \$22.067 billion, which represents a decline of \$605 million, or 2.7 percent in comparison with 1982. The decline was almost entirely the result of reduced imports.

Exports, with a value of \$9.913 billion dollars, remained at practically the same level of last year, since they declined by merely \$10 million or 0.1 percent.

Imports amounted to \$12.154 billion, down by \$595 million or 4.7 percent in comparison with 1982.

Comparison of data on exports and imports leads to the conclusion that the trade deficit amounted to \$2.241 million. In noting that, however, it should be stressed that this deficit is lower than last year's by \$585 million, or 20.7 percent. The deficit with convertible exchange countries amounted to \$1.799 billion, while with clearing countries it was \$442 million.

When exports are regarded by economic activity, it emerges that the 12 key industries accounted for 81.7 percent of export value, and 87.4 percent of exports of industrial products:

Economic activity	(million dollars)	EXPORTS
		percentage
Production and processing of chemicals	1,059	10.7
Production of electrical machinery and appliances	1,025	10.3
Machinebuilding	884	8.9
Weaving, knitting and ready-to-wear clothing	834	8.4
Metal processing	743	7.5
Production of transportation equipment	679	6.8
Lumber, boards and finished wood products	650	6.6
Leather shoes and haberdashery	583	5.9
Processed foods	557	5.6
Nonferrous metal products	506	5.1
Shipbuilding	339	3.4
Ferrous metallurgy	246	2.5
Other industrial activities	1,245	12.6
Agriculture, forestry, fishing, etc.	563	5.7
TOTAL	9,913	100.0

In terms of economic purposes, exports of semimanufactured materials predominate, accounting for something over half of all exports, as can be seen from the following survey:

# EXPORTS

Economic Activity	(million dollars)	percentage
Semimanufactured materials	5,143	51.9
Equipment	1,733	17.5
Consumer goods	3,037	30.6
TOTAL	9,913	100.0

Exports to foreign exchange categories, or the quality of the foreign currency used for payment, is as follows:

Foreign Exchange Area	(million dollars)	percentage
Convertible area	6,270	63.3
Clearing area	3,643	36.7
TOTAL	9,913	100.0

At this point it should be stressed that exports to convertible currency countries grew by 13.5 percent in comparison with 1982. That trend represents a good sign in connection with planned increases in exports to that area this year.

Considering the increase in exports to convertible currency area in a period of general stagnation of total exports, it is obvious that a corresponding decrease in exports to the clearing area was recorded. To be precise, 17.1 percent less exports went to clearing payment countries.

As far as the shares of individual countries in Yugoslav exports, the four countries below were the most important:

Country	EXPORTS	
	(million dollars)	Percent of Total Exports
USSR	2,699	27.2
FRG	807	8.2
Italy	806	8.1
USA	346	3.5

As the summary above shows, 47 percent of all exports go to these four countries in value terms.

Exports by republic, as well as exports accounted for by the entire federation, had the following values:

Republic or Province	EXPORTS	
	(million dollars)	Percentage
Bosnia and Hercegovina	1,462	14.7
Montenegro	164	1.6
Croatia	2,129	21.5
Macedonia	503	5.1
Slovenia	2,072	20.9
Serbia	3,576	36.1
Of that: Serbia proper	2,509	25.3
Kosovo	190	1.9
Vojvodina	877	8.9
Federation	7	0.1
	TOTAL	9,913
		100.0

The survey of export distribution according to level of development of individual countries finds the socialist countries in first place:

EXPORTS		
Country Group	(million dollars)	Percentage
Socialist countries	4,629	46.7
Developed countries	3,307	33.4
developing countries	1,977	19.9
TOTAL	9,913	100.0

According to economic activity, the following 12 industrial activities accounted for 87.8 percent of total exports and 93.9 percent of imports for industrial needs:

IMPORTS		
Economic Activity	(million dollars)	Percentage
Production of oil, gas, and petroleum derivatives	2,966	24.4
Chemical production and processing	2,092	17.2
Machinebuilding	1,438	11.8
Transportation equipment	704	5.8
Electrical machines and appliances	702	5.8
Ferrous metallurgy	657	5.4
Processed food products	477	3.9
Nonmetal products and processing	403	3.3
Metal processing activities	365	3.0
Knitting, weaving and ready-to-wear clothing	336	2.8
Coal production and processing	296	2.5
Nonferrous metal production and processing	230	1.9
Other industrial activities	744	6.1
Agriculture, forestry, fishing, etc.	744	6.1
TOTAL	12,154	100.0

These data show that first place went convincingly to production of oil, gas and petroleum derivatives, thanks primarily to crude oil imports. Specifically, 9.4 million tons of crude oil worth \$2.178 billion were imported, so that imports of this essential product accounted for 17.9 percent of overall imports.

The distribution of imports by economic purpose offers the following picture:

Economic Purpose	IMPORTS	
	(million dollars)	Percentage
Semimanufactured materials	9,615	79.1
Equipment	1,838	15.1
Consumer goods	701	5.8
TOTAL	12,154	100.0

The high share of semimanufactured materials in imports offers proof of the significant dependency of domestic industry on imports, which to a certain degree affects a constant burden on the Yugoslav balance of payments.

When we speak of imports by economic purpose, it is worth noting that, in comparison with last year, imports of semimanufactured materials declined by 2.1 percent, while imports of equipment fell by 19.1 percent and consumer product imports declined by 6.1 percent.

According to foreign exchange areas, imports from the convertible currency area were twice those of imports from clearing payment countries:

Exchange Area	IMPORTS	
	(million dollars)	Percentage
Convertible currency area	8,069	66.4
Clearing payment area	4,085	33.6
TOTAL	12,154	100.0

Keeping in mind the fact that convertible currency countries received exports valued at \$6.270 billion, the conclusion is obvious of the high

payment deficit with those countries, amounting to \$1.799 billion. This unfavorable balance of payments situation is exacerbated by the fact that 92 percent of Yugoslav obligations abroad are owed to convertible currency area countries. As with exports, the same four countries are Yugoslavia's most important partners:

Country	IMPORTS	
	(million dollars)	Percentage
USSR	2,463	20.3
FRG	1,624	13.3
Italy	980	8.1
USA	775	6.4

The data of the summary above show that imports from these four countries account for 48.1 percent of total imports.

The distribution of imports by republics and provinces, as well as imports for the federation, appears as follows:

Republic or Province	IMPORTS	
	(million dollars)	Percentage
Bosnia and Hercegovina	1,677	13.8
Montenegro	162	1.3
Croatia	2,504	20.6
Macedonia	794	6.5
Slovenia	2,235	18.4
Serbia	4,179	34.4
Of that: Serbia proper	2,650	21.8
Kosovo	239	2.0
Vojvodina	1,290	10.6
Federation	603	5.0
	TOTAL	12,154
		100.0

In exports according to level of development of source country, the first place went to developed countries:

Country Group	IMPORTS	
	(million dollars)	Percentage
Developed countries	5,613	46.2
Socialist countries	4,490	36.9
Developing countries	2,051	16.9
TOTAL	12,154	100.0

The foreign trade deficit amounted to \$2.241 billion. Regard in terms of economic activities, the deficits or surpluses of individual economic categories for exports and imports of products appear as follows:

Economic Activity	Deficit	Surplus
	(million dollars)	
Production of oil, gas and petroleum derivatives	2,782	
Chemical production and processing	1,033	
Machine building	544	
Ferrous metallurgy	411	
Nonmetal production and processing	243	
coal production and processing	242	
Transportation equipment	25	
Lumber, boards and final wood products		600
Leather footwear and haberdashery		575
Knitting, weaving, ready-to-wear clothing		498
Metal processing activities		378



Economic Activity	Deficit	Surplus
	(million dollars)	
Shipbuilding		311
Electrical machines and appliances		323
Nonferrous metal production and processing		276
Processed food products		80
Other activities (net)		8
TOTAL	5,290	3,049

The following survey shows trends in deficits and surpluses from the aspect of economic purpose:

Economic Activity	Deficit	Surplus
	(million dollars)	
Semimanufactured materials	4,472	
Equipment	105	
Consumer goods		2,336
TOTAL	4,577	2,336

As previously mentioned, the balance of trade deficit occurred both in convertible and clearing areas:

Foreign Exchange Area	Deficit (million dollars)
Convertible currency area	1,799
Clearing area	442
TOTAL	2,241

The share of republics and provinces, as well as the federation, in the deficit or surplus can be seen from the following summary:

Republic or Province	Deficit	Surplus
	(million dollars)	
Bosnia and Hercegovina	215	
Montenegro		2
Croatia	375	
Macedonia	291	
Slovenia	163	
Serbia	603	
Of that: Serbia proper	141	
Kosovo	49	
Vojvodina	413	
Federation	596	
	TOTAL	2
	2,243	

When the deficit or surplus is regarded in terms of the developmental level of individual countries, the following picture emerges:

Country Group	Deficit	Surplus
	(million dollars)	
Developed countries	2,306	
Socialist countries		139
Developing countries	74	
	TOTAL	139
	2,380	

The large deficit in foreign trade with developing countries represents a chronic problem in the Yugoslav balance of trade, which requires constant efforts for expanding exports to those countries.

## January Export Spurt

The spurt in exports that began at the end of last year has continued in the first month of 1984. In January exports grew by 8 percent in comparison with the same month last year, while exports to convertible currency areas leaped by 22 percent. The total value of exported goods amounted to 73 billion dinars (at the dinar exchange rate for US dollars of 124.80). Among the republics, the greatest increase in exports came for Croatia (53 percent), followed by Macedonia with 19 percent, Montenegro with 11 percent, and Slovenia by 5 percent, while decreases came for Serbia (2 percent) and Bosnia and Hercegovina (15 percent).

At the same time, imports were lower by fully 30 percent, and from convertible currency countries by 37 percent. Imports of goods for all economic purposes fell noticeably, which doubtless will reflect on export trends in the coming months. Imports of semimanufactures were down in January by 23 percent, amounting to 51.6 billion dinars. Equipment imports declined by 55 percent (totaling 8.8 billion) while imports of consumer goods fell by 24 percent. Total imports amount to 64 billion dinars, with 40 billion from convertible currency countries.

Regarding the destination of exports, increases were noted in deliveries to developed countries, with a 56 percent increase (25.7 billion dinars). Imports from these countries decreased by 28 percent (28.4 billion dinars). On the other hand, exports to developing countries fell by 15 percent, while imports from these countries dropped by half in the same month (to 8.4 billion). Exports to socialist countries dropped by 4 percent (32 billion), while imports fell by 19 percent (to 27 billion dinars).

12131

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GRBIC NOTES OBSTACLES TO PRIVATE SECTOR DEVELOPMENT

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 13 Feb 84 pp 20-22

/Interview with Cedo Grbic/

/Excerpt/ The immediate reason for this contribution is the imminent publication of Cedo Grbic's "Socijalizam I Rad Privatnim Sredstvima /Socialism and Work With Private Resources/. In fact, there are always enough reasons for a talk on this theme, and especially at a time characterized by stronger emphasis on agriculture, small business and tourism--sectors with a pronounced presence of private resources and individual work and, as it is increasingly thought, with great unutilized potential for a more dynamic development and more productive employment. It is a little harder to find an interviewee who regards this sector as his main preoccupation, primarily because of the belief in its significance for our total social and economic development.

/Question/ Comrade Grbic, may we start with a question about the reasons for your preoccupation with the role and treatment of the private sector in our society and development?

/Answer/ In the last 20 years I performed several functions; I was the republican secretary for trade and economics, chairman of the Economic Council of the Croatian Sabor, chairman of the Croatian Tourist Association, chairman of the Croatian Constitutional Court, chairman of the Croatian Cooperative Association, now a member of the Croatian Constitutional Court and also the leader of the subgroup which was in charge of the material on small business in the Kraigher Commission. Thus I had the opportunity and motive to get acquainted more immediately with this sector and its significance in our socioeconomic development, as well as with prejudices and antagonism with which it is still faced and which thwart its development and optimal utilization of the available resources.

/Question/ Your conviction of the essential and lasting role of the private sector in our society is evident.

/Answer/ I do not know what will happen in communism. But it is obvious that both natural and small commodity production /sic/ are still present in socialism and have a significant role in the total development of production and the raising of the standard of living. This is a reality which quite certainly will not be "outgrown" by ignoring and slighting it, or by facile labeling it as a "remnants" or "hidden force" of capitalism threatening us. Anyway, what happens when an emancipated ideology "charges into communism" disregarding social and material reality was rather clearly shown in the example of the Chinese Cultural Revolution, Pol Pot, and some others. In acertain way our own postwar experience 3 decades ago with peasant work communes provided the basis for some important lessons and did away with some errors which, judging by everything, nevertheless still recur.

/Question/ How do you explain it?

/Answer/ How else but by dogmatism? Dogmatism which is to such a degree blinded by fear of every private initiative and the economic independence of the individual--regardless of his marginality for fundamental social relations by volume and nature--that it does not realize even the fact that precisely this fear expresses a mistrust in the strength and vitality of socialism and in the acceptance of its basic principles and values by the broadest strata of working people. This fear does not admit the fact that the personal labor of citizens with their own resources is by no means a basic characteristic of a capitalist society, and that production of natural and small goods dates from the very beginning of exchange of goods among people. It is not necessary to explain how easily every private endeavor is identified with exploitation, even when it does not use other people's labor, and it turns out that "social label" justifies the real usurpation of the results of other people's labor, which obviously exists in socialism, too. One need not search farther away than our daily life to see how huge values of surplus product in the social sector are transferred by means of price, customs, import and export policies and by the policy of distribution on the basis of equalization and excessive "solidarity," housing policy, monopolistic position, etc. This affects the results of labor of a far larger number of workers than those who work in the private sector, which employs only about every 20th worker, if we count the private entrepreneurs themselves. The impression is created that private sector is by itself a larger problem, even when workers in this sector are well paid and all their legal rights are respected. This can indeed be explained only by dogmatism.

/Question/ Aren't you perhaps too concerned with extreme attitudes?

/Answer/ Such attitudes are by no means insignificant in our reality and practical politics, regardless of the different tone in the Party Congress documents and in the Constitution. The next step, the laws, is more restrictive than these documents, economic policy is still less stimulating, and tax and administrative measures for concrete enforcement restrict even more the utilization of the potential of the private sector. If we add to this ideological pressures and disorientation which occasionally escalate into campaigns of general suspicion, namecalling and disparagement of all those engaged in the private sector, it becomes clear that we have not created the social atmosphere and conditions for its development on the basis of honest and dedicated work.

On the contrary, such an atmosphere and unstable policy in this sector stimulate short-term speculations, attempts to make a profit as big and as soon as possible, channeling profits into consumption instead of into increasing production, disproportionately high earnings for those who take the risk on longer-term treatment of some activity, etc. A sterling example of this approach is the refusal to give permits for some activities because they allow "too easy" and "too high" earnings and the quality of services or goods is not satisfactory, as if elementary logic does not show that higher competition leads to higher quality and makes it more difficult to earn money undeservedly. It is hardly necessary further to explain which is more useful from the point of view of employment and for the earnings of the social community, and which approach leads to greater privatization and abuse in the issuing of various approvals and permits.

/Question/ In your explanations you often mention the "syndrome of the first socialist country" and development models proclaimed in it?

/Answer/ It is a historical fact that socialism was founded in an undeveloped country and that it was applied, as a unique model, to the economic development of East European countries with a considerably higher level of material development. The "radiation" of the original model was extended to our path of socialism development too, although we were not an Eastern Bloc country, and it left traces which were noticeable when we energetically and decisively chose our own way of self-management socialism. It is obsessed with industrialization as a synonym of socialism, even when industrialization demands investments that would be more effective in another area. Agriculture, handicraft industry and small industry are not handled on equal footing in this approach, and even less so when they rely on personal labor and private funds. Many people have retained this way of thinking until today. A large factory is still the idea of successful socialism development, even if it has no objective conditions for successful operation. Not even the least-developed communities want small industry. Data on the important role of small industry in most developed countries are not of great help either--this role is superficially and dogmatically ignored as a "capitalist trait." Of course, no normal person thinks that socialism does not need industrial giants. But while this does not lead to socialism by itself--doesn't capitalism have them, and very big?--personal labor with funds owned by citizens does not by itself determine a fundamental social relation that is not compatible with socialism.

/Question/ It seems that some countries which had previously "abolished" the private sector are now introducing a more tolerant attitude toward private initiative.

/Answer/ As far as I know, Hungary has done the most in this regard. Experiences in the two largest socialist countries, the Soviet Union and China, are probably especially telling and interesting. Both these countries had a period of very rigid and intolerant attitude toward individual economic activity "incompatible with socialism." But obvious consequences for production and the market have led to visible changes in the last few years. For example, the Central Committee of the CP USSR and the Soviet Government proclaimed 3 years ago that anyone who wishes to participate in food production can do so, regardless of his basic

profession (retired people, physicians, teachers) and that the most successful would be rewarded. The sovhozes, kolkhozes and other institutions have been instructed to help in the development of production in home gardens, fruit and vegetable cooperation, etc. Changes in China may be still more interesting, as this country has switched from total collectivization, including even small livestock, to a large-scale long-term leasing of land to peasants. This has obtained noticeable positive results in a short time. Just think: On the one hand, these large changes, and still in Yugoslavia, in 1984, the demand has been made in our wheat-growing regions to forbid the leasing of land to nonagricultural households. In our country some people still believe that uncultivated land and unemployment are more "more socialist" than the maximum activation of all potential, including private ones, so that society might develop as fast as possible and people lead a better life.

/Question/ Do you have any examples in support of this statement?

/Answer/ There are examples in practically all areas with significant private potential and a possibility of activation. From tourism, where many attractive vacation homes are not rented (at least not legally) because some people think that it is more useful to invest huge funds into social beds although they could be better used for other purposes even within tourism--up to health care, where the "moving" of private offices into the social sector has been legalized, although social health care does not have funds for this acquisition nor can it employ physicians and stomatologists who need employment and do not have their own equipment.

Another example is the campaign against agrobusiness, which did not remain directed only against illegalities and abuses but was expanded against all the people who are engaged in agricultural activities but are not "true farmers." Thousands of towns lack the most necessary stores, yet we allow private trade more in theory than in actual practice. We do not give sufficient legal status to supplementary activities in trade services, although it is well known that some services do not provide sufficient income for full and permanent employment, and then we are surprised that the anarchy of moonlighting--without legal protection for either tradesmen or consumers--is acquiring such proportions. We are appalled by the consumer rivalry in villas, fences, cemetery vaults, cars, amusements, but it seems that we rarely wonder about the resources used to these purposes for the simple reason that the possibility and stimulus to use them in production are not given. There are no restrictions on consumption, but innumerable ones on production--from regulations on who can practice some activity and to what extent, to how large business premises and what their equipment can be, whether employees can be hired, and how many, to ideological suspicions. Moreover, in our country interest is the only legal source of living on the basis of past work, and here too there are more reasons for consumption than for longer-term saving. In any case, there is no stimulus for productive investment of private funds.

/Question/ One might say that the fear of excessive enrichment of individuals has the crucial role here?

/Answer/ I would first repeat what I already said: The more developed an activity and the more competition, the fewer the possibilities to earn a lot of money with relatively little work. Second, we generally prefer to talk about those individuals in the private sector who managed to get rich. And the very concept of "wealth" is rather relative; the epithet "kulak" is easily given to a farmer who manages to build a large, well-furnished house, buy a better car for himself, his son or daughter, and to educate his children, that is for the things that many other people, including those employed in the associated labor, regard as completely "normal." Moreover, it is ignored that in a farmer's family everybody is engaged in productive work, even to some degree the children, grandfather and grandmother, that there are no specific working hours or vacation, or various other aspects of social and individual standard, of economic and social security. Similar things could be said about some other examples of private activities which require a lot of labor and business risk, investment and uncertainty, which makes above-average earnings logical. Of course, here I do not defend easy enrichment without work, or getting around social norms. Yet such phenomena cannot justify general suspicions and restrictions, instead of a carefully studied and directed economic and tax policy for the private sector. The former is certainly much easier, but it is socially and economically harmful and it does not even solve the consequences, let alone the causes of deformations. Catching resellers in produce markets and buyers in villages does solve the problem of stimulating and buying agricultural production, nor does it make the supplies better and cheaper. Those are only symptoms.

/Question/ Aren't there any signs of a more active relationship at least to agricultural and small enterprises, and other potential areas of private engagement?

/Answer/ There are signs, but the question remains whether they are a result of momentary pressures--unemployment and the impossibility of a fast absorption of the unemployed in the social sector, investment stagnation, lack of hard currency funds for imports--or of unburdened economic insights and a real appreciation of the role of personal work with private resources at the present and coming stages of our material and social development. Only the future will fully show whether we have really understood how a more correct attitude toward this sector could have lightened the burden of unemployment and extensive employment in the social sector of our economy, the deficit of merchandise and services in the market, bottlenecks for industrial producers, and hard currency expenditure for a number of articles whose production could have developed in our country without any difficulties. All this could have been achieved without jeopardizing the foundations of our socialist social system. It will probably be seen very soon, in the implementation of the Long-Term Program of Economic Stabilization, whether these insights have taught us the proper lessons for a more stable and stimulative policy which will probably combine social and individual interests. Political slogans are not sufficient.

/Question/ Do you frequently deal with the question of association in this sector?



/Answer/ The fact is that the association of individual producers--whether farmers or tradesmen--is very poorly developed. Farmers have never been as dependent on the social sector as today. The very fact that, according to some estimates, about 40 percent of the value of farmers' agricultural production consists of industrial deliveries (fertilizers, pesticides and insecticides, mechanization), shows the great dependence on the social sector, and the same dependence is also manifested in the sale of the production which is becoming ever more specialized. At the same time, self-management association is blocked, primarily by the opposition of technical-bureaucratic forces, firmly leaning on dogmatism. Battles and resistance against the formation of tradesmen's and farmers' associations are well known. The second line of association of labor by employment in the private sector, which is stagnating at an almost symbolic number for the second decade, is still worse. The strength of dogmatism is reflected precisely in the presence of high unemployment in our society which should be overcome with all the available means, whereas we destimulate employment by administrative limitations and especially by tax policy.

/Question/ How would you, in a few words, define the role and prospects of the private sector in the present stage of the development of socialism?

/Answer/ First of all, it is necessary to get rid of the fear that small commodity production characteristic of the private sector activity will become dominant (it is not dominant anywhere) and thus open "the hatch to the return of capitalism", and of the misconception that large social organizations can and must perform all the jobs in socialism and modern economy. Must large enterprises, can large enterprises provide employment to workers of all kinds--from the mountain shepherd to the mushroom and medicinal herbs gatherer, from vegetable growers in the island karst fields to the builders of vacation homes, from beekeeper to the maker of souvenirs and other objects of the home industry--, give the peasant employment in the socially-owned stable (while his own stable, already constructed, is abandoned) or on the field which it will previously buy from him, give to the craftsman employment in an industrial plant, although it may need his product only from time to time in individual or limited production, etc., etc? All this, and many other similar things, are jobs in which an individual, a family or producers association can be engaged in a socially useful way and realize a satisfactory income. Moreover, a number of such jobs are performed more rationally and flexibly by the private sector because of the fast adaptation to the buyers' demands, the adaptability of their working hours and the supplementary engagement of family members according to the momentary workload and delivery terms, unburdened by administrative procedures and costs, the ability frequently to use discarded resources and marginal or even raw material scrapped by organizations of associated labor, the use of personal funds and savings for the needs of the job, the interest deriving from the immediately realized initiative and link with the results of labor, and the immediate feeling of risk for the result of labor.

This complementary role and these advantages are neither temporary nor short term and they demand an appropriate longer-term valuation and treatment, which have not been given so far. It is sufficient to look at our medium-term plans and similar documents, statistical monitoring and other analytical tools which should serve the implementation of a more appropriate policy: it seems as if

all this potential in our society is almost unnecessary, and personal labor with private funds an obsolete category whose remnants should be eliminated as fast as possible. Have you seen, for example, any development document that mentions the participation of individual farmers in our agricultural and total development as socially desirable? What certainty could then have other private entrepreneurs who meet with an even greater antagonism? Consequences are great enough not to serve as a lesson.

12455

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RAILROADS' DIFFICULTY IN EARNING FOREIGN EXCHANGE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17-18 Mar 84 p 3

[Article by Radmila Krcunovic: "The Railroads and Foreign Exchange Obligations: Debtors Through No Fault of Their Own"]

[Text] Yugoslav manufacturers do not pay for railroad transportation of goods in export and import with foreign exchange but are creating obligations for the Yugoslav railroads now reaching the level of 108 million dollars.

Among the difficulties under which the Yugoslav railroads are laboring is the ever heavier burden of debt loaded on them by Yugoslav industry as a result of its transactions with foreign partners, in which our railroads play almost only an indirect role, at least as regards trips far from the Yugoslav border. The problem is neither new nor unknown, but has an added element in the fact that there has been no essential change in the attitude of users toward the organizers of hauling even after entry into effect 2 years ago of the Federal Executive Council Decree directing that railroad transportation costs on foreign routes be paid in foreign exchange, in the case of exports after 30 days and in that of imports after 15 days.

Practices have as a matter of fact remained unchanged. Yugoslav importers of raw and reproduction materials usually provide foreign exchange for payment for these materials, but not also for the shipping costs posted to the credit of the railroad. Following a similar principle, exporters collect foreign exchange income while neglecting to allocate outlays for services but not to present them as total income, thereby increasing their own incentive base and reducing that of the railroad. However, this is not at all a minor item for the Yugoslav railroads; and in accordance with international convention foreign railroads treat them as a debtor who must pay debts incurred for services rendered to our economy, and these debts have already reached the amount of about 86 million dollars on this basis alone over the last 3 years.

Goods as Stowaways

The debt inherited from the period up to 1980 before entry of the Federal Executive Council Decree into effect is an additional burden on the obligation, which itself has increased the total by around 6 billion dinars

because of rate of exchange differences. Consequently, every additional delay in settling obligations entails increase in the total due to interest and rate of exchange differences, but also to other effects, among which mention should be made of the reputation of our national carrier abroad and avoidance of Yugoslav transshipment routes.

Another increasing problem for the Yugoslav railroads is the so-called intermediate settlement, or transportation of goods from a clearing settlement area through other countries whose services are paid for in convertible currencies, this increasing the obligations of the railroad, with the amount in question owed to foreigners rising to more than 108 million dollars. International forwarding agents clearly understand this situation; to avoid convertible currency payment they reship goods via Czechoslovakia, Hungary, or the German Democratic Republic, even though this is not always the most logical route, and thereby directly increase the payment of obligations of the Yugoslav railroads via these countries in convertible currency, which already amount to about 28 million dollars. Nor, lastly, may we consider as minor the decline in transshipment via our railroads, because of this relationship and the increase in debts toward foreign railroads, which according to initial estimates represents in 1983 about 32 million dollars less income than the previous year.

#### Relief from Foreign Burdens

Faced with the impossibility of paying the foreign obligation, but also in an effort to keep the obligation charged to it from getting any larger, the Zagreb Railroad Transportation Enterprise recently (in reality for the second time, but for the first time after issue of the Federal Executive Council Decree) delivered to the economy the ultimatum that it will not accept goods for shipment by partners who fail to settle their foreign exchange debts by the middle of March. While we do not want to go into the question of justification of this step, we will undertake to estimate the potential consequences, which could be expressed in decrease in the influx of goods for shipping. Among other things it is to be pointed out that it is a question simultaneously of failure by some sectors of the economy to comply with the Federal Executive Council Decree. Any comment on disregard of the customary codes of behavior must be accompanied above all by indication of the need for cultivating better self-management relationships and closer cooperation.

At present the Yugoslav railroads see two possible ways of emerging from the situation, either accepting goods and payment only for shipment of goods free from the Yugoslav border or accepting payment in dinars along with assurance of purchase of foreign exchange on the market. As regards debt not previously settled, which has been increased by the amount of exchange rate differences, they propose that the economy's contribution to the railroad be increased, and in the interim, until this has been done, that credit and purchase of foreign exchange without obligation of reimbursement be approved.

The fact is, however, that the economy is failing to pay its debts to the railroad not solely because of a lack of foreign exchange but also because of failure to comply with the provisions of the Federal Executive Council

decree and the impossibility of applying appropriate sanctions against irresponsible debtors. All this of course does not alleviate the railroad's obligation toward foreign railroads, and along with raising the consciousness of users there is need for broader action by the proper authorities at least in order to move this question from dead center and to stop piling foreign obligations on the already overloaded backs of the railroads.

6115

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## EXCESS OIL REFINERY CAPACITY DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17-18 Mar 84 p 2

[Article by Radmila Jovanovic: "Science Also to the Rescue: How to Divide Petroleum Among an Increasing Number of Refineries"]

[Text] The goal is uniform supply of petroleum derivatives for the Yugoslav market under equal conditions. The only proper criterion for allocation of petroleum is consumption of petroleum derivatives in areas which it is economically logical for refineries to serve.

Through its General Association, the petroleum industry has contracted with the Mining Institute in Belgrade for conduct of extensive studies on optimum organization, production, processing, and marketing of petroleum. Part of this major undertaking relates to the optimum distribution of the total available crude petroleum among refineries so as to ensure the fullest possible supply of basic petroleum derivatives for the Yugoslav market.

In order to learn the optimum formula, perhaps it would be easier for the oil workers to come to agreement before they distribute the 1984 complement of petroleum among refineries, in accordance with the economic logic of satisfying the needs of consumers in the area in which they are situated or of consumers who gravitate toward them. If someone with public or scientific authority had this formula, the oilworkers might accept it by force of circumstances as an arbitrated decision. The oil workers themselves are incapable of reaching honorable agreement. Some cite the old, traditional monopoly law and others the new laws.

### A Witches' Brew of Private Interests

In the petroleum industry all this was simpler at a time of cheap petroleum, when it was possible to import as much as needed and Yugoslav territory was controlled exclusively by the trio made up of INA, Naftagas, and Energoinvest (Bosanski Brod). The dissension over distribution of imported petroleum and its products began with the development of secondary and tertiary capacities and expansion of existing capacities on this basis. It reached its zenith this year with the Skoplje refinery sharing in the available petroleum with its total capacity of 2.5 million tons and with the expanded Novi Sad capacity requiring 500,000 tons more crude petroleum than in 1983. In 1985 Naftagas

will require a much larger share of the imported petroleum. Next year the enlarged Novi Sad refinery will from the beginning demand participation in the distribution of petroleum with a full new capacity of 3 million tons. Expansion of the Bosanski Brod refinery is also coming to an end.

The new refineries can share in the distribution of petroleum only at the expense of the existing ones, which even in the past have come nowhere near optimum utilization of their capacities. In 1983 they operated at about 50 percent of capacity, and some even less than 40 percent. At present INA, which has the largest refining capacity, will be hard put to waive its right to its previous shares of imported petroleum on behalf of the new Naftagas operation. Tomorrow no system will be strong enough to dispense with a small amount even for the expanded Bosanski Brod refinery.

Combined with the distribution difficulties is the interest in processing of the greatest possible amount of valuable petroleum derivatives, or in employing secondary and tertiary capacities, which again implies more basic raw material for processing. The individual interests thus make a witches' brew both in the petroleum industry of Yugoslavia and on the entire domestic market.

The basic argument against sharing by the new refineries in distribution of petroleum on an equal footing is that in recent years increase in capacity has been known to be a complete failure from the viewpoint of the dynamics of this predominantly imported raw material on the foreign market. The domestic situation and the monopoly position and the behavior of the existing refineries on the Yugoslav market have induced areas to build them which did not have to build them in the past. Some have erected them on the pretext of expanding the existing capacities to enable them to carry out secondary and tertiary processing, and others in order to ensure more regular supply of consumers in their areas and have kept the proceeds from this consumption in their own treasuries.

#### Consumers Pay the Bill

In recent years refinery capacity has grown but the level of its utilization has dropped at a dizzying pace.

Refinery	Capacity, thousands of tons	Utilization level in 1983
Skoplje	2500	30 percent
Bosanski Brod	2100	66.7 (for 3000)
Pancevo	5500	58.5
Novi Sad	1050	62.8 (3050 as of 1/4)
Rijeka	8000	38.5
Sisak	6700	47
Lendava	600	54.7
TOTAL	18,450	Less than 50 percent

The old refineries are trying, if they must share petroleum with a new one, to retain their right to the highest possible processing volume and the largest possible areas of consumption which they are less and less able to satisfy. In addition, they give priority in supply to consumers who are geographically closer, and petroleum derivatives move from one end of the country to the other. Thus an absurd situation arises.

From the technical viewpoint the refineries are increasingly capable of producing derivatives involving a higher degree of treatment, and decline of processing below a certain level almost freezes their secondary and tertiary facilities.

Processing and transportation costs are skyrocketing. They are being paid by the consumers. This was pointed out at the end of 1982 by the Federal Committee on Industry and Power Engineering, but thus far nothing has been done about it. "The costs hereby created cannot simply be passed on to the consumer or to society at large by way of the prices of petroleum derivatives. The decisions to build outsized refinery capacities were not made by the consumers, and consumers should not have to pay them," is the way the situation was described at one time by Dr David Dasic, deputy chairman of the Federal Committee on Industry and Power Engineering, in a paper on self-management relationships in the petroleum industry.

In his paper Dr Dasic stated that the only possible solution lies in processing of petroleum for export of petroleum derivatives. However, even this is no longer feasible. The oil rich countries are building their own refineries, and the developed countries are to a great extent closing them. Thus the solution remains in a distribution of petroleum by area of consumption which on the basis of economic criteria can be met by specific refineries. Refineries unable to utilize their capacity at an economically justifiable level of operation should be closed.

6115

CSO: 2800/249



VLASKALIC DISCUSSES DEBATE ON STATE SYSTEM

Belgrade KOMUNIST in Serbo-Croatian 9 Mar 84 pp 12-13

[Article by Viktor Strkalj summarizing a talk given by Dr Tihomir Vlaskalic, chairman of the Federal Social Council for Affairs of the Social System, on the topic "The Problems of the Functioning and Development of the Political System of Socialist Self-Management" in a series of discussions organized by the Center for the Ideological and Theoretical Effort of the Zagreb City Committee of the Croatian LC, on 1 March 1984: "The Task and Goal of Critical Analysis of the Political System Are Not To Debate the SFRY Constitution"]

[Text] Discussion of current issues in the functioning and development of the political system, organized by the Center for the Ideological and Theoretical Effort of the Zagreb City Committee of the Croatian LC, began on 1 March. Topics taken up in this discussion will include interaction between production relations and the political system, the role of the subjective factor, the functioning of the mechanism of delegate assemblies, electoral processes, and so on.

Dr Tihomir Vlaskalic, chairman of the Federal Social Council for Affairs of the Social System, spoke on the first and introductory topic "Problems of the Functioning and Development of the Political System of Socialist Self-Management."

Two Key Characteristics of the Program

After he set forth the reasons for adopting a work program aimed at critical analysis of the functioning of the political system of socialist self-management, Dr Tihomir Vlaskalic cited its two key characteristics:

The first is that in its introductory commitments the program does not waver in the least about the fundamental value content of our sociopolitical system as set forth in the constitution. Taking as its point of departure that the 1974 Constitution does not sanction the existing state of society or relations, but that it sets forth a program for future social development, the introductory commitments emphasize that it is an inherent need of our society to change and develop in the direction of creating a free association of producers, that the content of that process and its goal are that the workers in associated labor (more accurately, the associated workers) are to become

managers of the social means of production, of the income realized and of other social business in the OOUR [basic organization of associated labor] and in broader forms of the pooling of labor and capital and in the institutions of the delegate political system.

Of course, the struggle to achieve that goal and to speed up that process is essentially and in a historical sense a class struggle in new forms and with fronts that are not always clearly drawn. But it is more than that, it is especially and more and more a struggle as well against ignorance, a struggle for new knowledge and new creative contributions based above all on critical analysis of our practice and experience. After all, as is being made ever more clearly evident today, because of the lack of serious research and the obvious sterility with respect to new theoretical breakthroughs, the struggles are leading to a revival of old debates, to vacillation and uncertainty about the direction of our society's future development.

The discussions of the political system which have begun recently still have not reached a creative level, mostly they are routine and contain a healthy dose of apologetics or caviling and destructive criticism. Nor does the program itself I have mentioned supersede the conventional standards and attempt to furnish new answers to the questions which reality has raised. But it does at least say that they have been raised and appeals for answers to be sought.

The other characteristic of the program is its all-inclusiveness, more accurately, the attempt to point up the need for critical analysis of all the principal areas of the functioning of the political system.

Certain dilemmas have arisen in this connection, and later there were also objections, which came down to the following: Should the program restrict itself only to a few questions concerning the functioning of the political system (for example, relations in the Federation and its functioning, the delegate system, and certain others), or should it broaden its coverage to all essential areas and subject them to critical analysis?

The commitment to an integral program is based on the task which is to be performed, and a clear explanation is needed at this point.

In other words, the task and goal of critical analysis of the political system is not to debate the SFRY Constitution, the question of whether the constitution should be amended or not, the question of whether the constitution is a good one or isn't. In this connection the announcement of the Presidium of the LCY Central Committee makes this statement: "The LCY Program, the constitutional goals, solutions and intentions, and the fact that the constitution is an expression of the revolutionary experience of our society in defining its own road to socialism and is an integral program for going beyond the statist conception of its system are to be the points of departure in the critical and creative discussion. The goal is to analyze the functioning of the political system in practice from the standpoint of the constitutional commitments, from the standpoint of to what extent and in what way the constitutional solutions are becoming social reality, the extent to which and

the way in which society is changing in the direction plotted. It should be immediately added that this approach to the constitutional solutions does not endow them with a halo of inviolability. After all, if it is found that certain constitutional solutions should be changed, developed or supplemented because they are inapplicable, or they yield the wrong result, then that should be proposed. But that is only a possibility, and such demands are not to be taken for granted. The point of departure, then is that we have a blueprint for the development of society, not that we lack one or that it is the wrong one. It is that line which divides the discussion offered by the program of the Federal Social Council from those discussions and ideas whose point of reference is a different projection of social development.

"This precise clarification, I am convinced, is indispensable!

"Taking the approach which I have set forth, the work program has covered five broad sets of questions concerning the political system, which I will merely enumerate. They are: first, the domain of self-management decision-making in associated labor, local communities and self-managing communities of interest; second, achievement of the delegate system of decisionmaking in the assemblies of sociopolitical communities and the concept and development sociopolitical communities; third, the position and activity of the subjective factor in the political system; fourth, achievement of constitutionality and legality, that is, implementing decisions in the political system; and fifth, personnel policy, the electoral system and performance of social and public functions."

#### Changing the Balance of Power in Society

In his opinion, the key methodological question in discussions of the political system is not to lose or neglect the ties and conditionality between the political system and the situation in real production relations, while tendencies of that kind already do exist; that is, we are not sufficiently studying that relationship in the development of our society, nor are we sufficiently familiar with it. In that context Dr Tihomir Vlaskalic said: "The constitutional premise of the production relation of self-management in which the associated workers have at their disposition the income that has been realized and make the decisions about its use is not being achieved even as a tendency. Practice in the application of the solutions embodying the system in the domain of the secondary distribution of the national income has not to a satisfactory degree been under the oversight and subject to the decision-making of associated labor, and as a consequence we have the long-term trend (almost a pattern) of a weakening of the material position of associated labor in the economy. The evidence is as follows: in 1971 associated labor had 62.4 percent of the income realized at its disposition, while in 1982 the proportion was 55.9 percent. Over that period total deductions from income increased from 37.6 percent to 44.1 percent of all the income which the economy realized.

"Second, the constitutional premise that the associated workers make the decisions concerning expanded social reproduction, which stands as an extremely important component of the production relation, one which has an essential

impact on the character of the conduct of economic activity and on the structure of economic development--displays an unusual pattern of nonfulfillment over many years. I will illustrate this 'pattern' with the fact that the share of the resources of associated labor in the economy in financing investments in fixed capital was 29.5 percent in 1961, while in 1981 it had risen to 32.7 percent. The level of self-financing of expanded reproduction, then, is not even as high as one-third. From the standpoint of the production relation and decisionmaking in the basic sphere of social development, this means that the resources and decisions in expanded reproduction are to a greatly predominant degree outside associated labor in the economy.

"I want to defend the thesis that a change in the balance of power in society is a necessary condition to the further development of our society on the basis of the production relations of self-management and to breaking up the kind of blockade of social development we have come up against. Yet it cannot be achieved through verbal differentiation and declarations, but only by strengthening the material power of the associated workers. The debate of the political system should among other things clarify and establish the capability of the political system to operate in that direction. Otherwise the political system set down by the constitution will become empty and formal, and some other system of decisionmaking in the obscure background will act in its name.

"Another circumstance which has overall importance to evaluating [original reads "price"] the situation with the production relation and also to the mutual influence between the production relation and the political system, has to do with the degree, characteristics and typology of the integration of associated labor in the framework of the country's entire economic territory.

"The general assessment as to the inadequate linkage and integration of economic entities of associated labor in the country at large can be accepted, provided we add that the process of linkage and integration has been speeded up considerably in recent years. This is indicated by the following datum: in 1976 only 30.6 percent of all work organizations in the country were associated in the 132 SOUR's [complex organization of associated labor], but even by 1981 65.5 percent of the work organizations were associated in 364 SOUR's. The figures themselves indicate that there has been a strong wave of forming links and integration, and it is of interest and importance to seek the characteristics of that wave of integration.

"An up-to-date analysis of this process shows that it is occurring with several unfavorable and negative features. The most marked feature is the regionalization of integration within republics and provinces, and then within opstinas as well. Thus in the year 1975/1976 99.7 percent (885) of all the work organizations which were associated in SOUR's were from the territory of the same republic or province, and only 0.38 percent (2) were from another republic or province. The faster pace of the processes of integration in the years that have followed has not been changing that characteristic, since in 1980 97.6 percent of the work organizations in SOUR's were from the same republic or province, and 2.4 percent were from other communities. Regional and opstina mergers well known at that time impart additional negative features to this turn of events.

"The figures given are in and of themselves so impressive that they reveal one aspect of the organization of our economy, an aspect which from the economic standpoint is preceded by a minus sign, since it results in regional exclusiveness and autarkic development, with a number of adverse consequences, both economic and otherwise."

The conclusion of Dr Tihomir Vlaskalic is this: "That in our society, during the period since the constitution, the constitutional intentions have not been realized to the necessary degree as to the role of associated labor in the disposition of income, in expanded reproduction, in the processes of integration; that is, in those areas in which the real strength and organizational and integrative basis are to arise for spreading the production relation of self-management to society as a whole."

In his assessment, the present situation with production relations has taken the strength and effectiveness from the political system established by the constitution and has created room for the making of decisions in society outside institutional procedures, through various coalitions based on common interest between the bureaucracy and the technocracy. The question, then, arises, he says: How have we applied the commitments of the constitution in society?

#### The Reticent Discussions of Statism

If we want to clear up those things which are not clear, the disagreements and the confusion in which it is easy to substitute one argument for another and to aim social action in the wrong direction, it is essential to be clear and frank in answering that question. If it is to accomplish its purpose and fulfill the expectation, the critical analysis of the political system must be directed toward seeking out such answers.

One of the questions in that context, one which he feels to have essential importance to understanding the nature of the social conflict which now exists and which we are seeking a way out of--is the question of statism in our society, the question of its causes and characteristics. The existence of statism and the need to combat statism is today a generally accepted slogan in the League of Communists of Yugoslavia, but by and large it is at that level of abstraction and verbalism that it stays, except when it is given concrete expression in the form of criticism of some administrative measure, usually of the federal government. Our discussions of the deepest causes of statism in our country, of its specific features and allies, are inadequate and incomplete, and in that connection I would set forth three propositions for discussion:

Statism in our country is reflected and reproduced in the reduction of self-management to "factory self-management," i.e., to a specific type of participation. A test of this thesis can be found in the material position of self-management, in the reach which it has in expanded reproduction, in the state and functioning of the delegate system. Within the sphere of the political system a particular check should be made as to the capability of the delegate system as presently organized to broaden the influence of associated labor on

decisionmaking in all sociopolitical communities. It is indispensable to verify whether the chambers of associated labor stand in the shadow of the other chambers in the assemblies of sociopolitical communities.

One of the characteristics of our statism is its decentralized character. Decentralization need not, of course, diminish the sum total of statism in society. In this connection it is indispensable to discuss the thesis that the real processes in our society, in spite of the ideological and political intentions and the constitutional conception, have been one-sided, i.e., that they have led only to the decentralization of statism, without a sufficiently strong process of degovernmentalization which would strengthen the production relations of self-management as the cohesive force of society and as the broad framework for development of the productive forces. In the same context we can also speak about destruction of the constitutional conception of social relations.

Experience shows, or at least gives certain indications, that the one-sided process of decentralization, with insufficiently strong self-management mergers and diverse linkages in the economy and society, is leading to the formation of exclusive so-called nationality economies, into a breaking up of the unified market, a crisis of large technological systems, and exclusiveness in the fields of science, culture, and so on.

The alternative to decentralized statism cannot, of course, be a return to centralized statism. That in any case must be clear once and for all. Centralized statism does not suit either Yugoslavia's multinational nature, nor the production relations of socialist self-management among people, as a class feature of Yugoslav society. Escaping the present situation on the basis of centralistic statism cannot be the basis for the future of the Yugoslav community.

Which is why the critical analysis of the functioning of the political system, especially in those segments which will deal with performance of joint functions in the Federation and the tissue of community in society in general, should ascertain as completely as possible whether and to what degree all the goals are being achieved for which our nationalities came together on the basis of self-determination to form the SFRY. Those goals, as is well known, are precisely set forth in an explicit list in the first section of the basic principles of the SFRY Constitution and the constitutions of the republics and the provincial constitutions.

The third proposition is that statism in our country is not operating directly and independently, but in various tie-ups, especially with technocratic structures. This is a domain of refined relations and influences, so that from the outside it is really difficult to spot all the specific forms of mutual influences, methods of decisionmaking and forms which legalize decisions made in that way.

## The LC and "Clean Hands"

In presenting his opinion on certain current external reflections of the coincidence of statism with technocracy, Dr Tihomir Vlaskalic said:

"The topic is not a new one, it is only a revival, with the additional element that it is being reopened in the context of major economic difficulties in the country. The only new thing is that the focus of the debate has been shifted from the level of theory (where it otherwise belongs) to the plane of direct criticism of the functional basis of the economic system and indeed of certain fundamental elements of the socioeconomic system.

"Under the motto of a demand for a larger role of economic laws and criteria in the conduct of economic activity and development, which is otherwise justified and generally accepted, the technocratic conception of the criticism is not directed against statism as a factor and cause of the restriction and deformation of economic laws and criteria in the conduct of economic activity, but is directed against the forms of self-management and the categories of the economic laws and the methods for deliberate restriction of spontaneous elements in the functioning of reproduction and the market mechanism."

Warning that behind the "ecoquent" [(?) adjective possibly derived from the abbreviation ECOC or the name Aycock] economism and rationalism we are actually dealing with the well-known model of a "market-plan economy," whose social prerequisite (requirement) is the dominant role and influence of statist and technocratic elements in production relations, he stressed:

"A political system based on delegate foundations does not suit that kind of structure of production relations, which is why often its role is essentially bypassed and vacated in decisionmaking on the most important social issues. Often our criticism of the functioning of the delegate system overlooks that fact, even though all its shortcomings do not arise exclusively from that cause.

"The resilience and indeed a certain attractiveness of various statist-technocratic versions of the functioning of social reproduction are not, however, based solely on the material and social power of their protagonists, but rather they derive their strength from the weakness of the social potential and activity of self-management. I would take note of two factors in this connection. One is that the creative strength of the social conception of self-management is mostly remaining within the sphere of verbal expression and statement of principle, while there is not enough decisiveness and strength in the sphere of the application of the fundamental commitments as a condition for the initiative and activity of the self-manager masses, who are the ones who can create the new social relations. We seem to be living in an error that spontaneous processes of the working people will by their own pragmatic course bring about new and original solutions in the organization of society along the lines of self-management.

"On the other hand even the self-management institutions and mechanisms already in place are quite often experiencing deformations on a relatively

large scale and are undertaking the self-manager function in social relations without enough firmness and effectiveness.

"Everything that I have mentioned and, of course, many other things as well which are happening and which are alive in our social relations and processes bring into the arena of our debates about the political system the question of the behavior, status and role of the subjective factor of socialist self-management, and above all of the League of Communists, today. A suggestive formulation of this question might be this: Has the League of Communists retained in itself, relative to construction of the practice of the self-management production relation and the functioning of the political system, a certain distance so that with 'clean hands' it can make an assessment and a judgment, instead of 'dirtying its hands' in that complicated and difficult struggle to build a self-managing society."

#### Statism Does Not Exist!

In the discussion conducted since the introductory address there have been quite a few polemical tones, and indeed even certain cases of opposition to certain views contained in the introductory address, which only confirmed the observation of Dr Tihomir Vlaskalic about the possible substitution of the basic initial arguments and about sterility with respect to new theoretical breakthroughs and the like. For example, Dr Branko Horvat feels that the assertion about the real status of production relations as a factor in development or stagnation of the political system, is untenable. That is, in his opinion the present difficulties have been caused by defects in the political system, which accounts for his conclusion that the working class could take control of social reproduction only after taking control of the political system. Professor Djordje Pribicevic has come to a similar conclusion, while Ivan Jakopovic has asserted that the relations between the production relations and the political system have in fact been excessively harmonized, and that in a negative sense, so that there is no need to speak about the political system having to be brought into line with the production relations of self-management. For Professor Branko Caratan the key issue is whether regional exclusiveness leads to statism or do the statist tendencies encourage regional exclusiveness. His answer is this: the statist tendencies lead to exclusiveness. He also makes the interesting remark that "technocracy does not feel responsibility to the workers, but to the bureaucracy." And Professor Ivan Siber spoke about the dialectical connection between production relations and the political system, and he sees the main causes of the gap between the normative and the actual in the existence of power centers alienated from the working class, that is, in the existence of "symbioses based on common interest among bureaucratic, political and technocratic structures in disposition of the resources for social reproduction."

During the discussion numerous questions were also addressed to Dr Tihomir Vlaskalic: from the course of the debate on the political system to date and the generators of statism to electoral processes. We single out his answer: the polarization into "defenders of the constitution" and "reformers" hinders and blocks the discussion which should be entered into without prejudices, but postulated on the recent views adopted by the Presidium of the LCY Central Committee. And that is something that has been lacking in the discussion.



## FOREIGN EXCHANGE SAVINGS IN REPUBLICS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 5 Mar 84 pp 30-31

[Text] According to figures of the National Bank of Yugoslavia just tabulated, in 1983 a further increase in foreign exchange savings was recorded. That is, as of 31 December 1983 the balances in foreign exchange accounts of individuals held various foreign currencies with a total value of 912.6 billion dinars. This means an increase of 428.3 billion dinars, or 88.4 percent, over the status at the end of the previous year, 1982.

Calculated in U.S. dollars at the rate of exchange in effect on the last day of last year, which was 125.67 dinars for 1 U.S. dollar, the total value of foreign exchange savings is \$7.3 billion.

The balances of the foreign exchange accounts of individuals, examined by republics and provinces, shows that SR [Socialist Republic] Serbia is in first place with 320.7 billion dinars.

<u>Republics or Provinces</u>	<u>As of 31 Dec 1983 (billions of dinars)</u>	<u>Share, %</u>
SR Bosnia-Hercegovina	139.2	15.3
SR Montenegro	12.7	1.4
SR Croatia	277.6	30.4
SR Macedonia	78.5	8.6
SR Slovenia	83.9	9.2
SR Serbia	320.7	35.1
Serbia proper	253.4	27.7
SAP [Socialist Autonomous Province]		
Kosovo	20.1	2.2
SAP Vojvodina	47.2	5.2
Total	912.6	100.0

As for maturity, funds placed in time accounts predominate, amounting to 483.7 billion dinars.

<u>Indicator</u>	<u>As of 31 Dec 1983</u> <u>(billions of dinars)</u>	<u>Share, %</u>
Funds in time accounts (beyond 1 year)	483.7	53.0
Sight accounts	428.9	47.0
Total	912.6	100.0

Funds in time accounts are in the lead thanks to the considerably more favorable terms and conditions which banks offer to those who save in time accounts.

Viewed by years, the aggregate balance of the foreign exchange accounts of individuals has been growing year after year. Over the last 5 years, for instance, the aggregate balance has grown at an average annual rate of 54.6 percent. This is indicated by the table below, which covers the period 1979-1983 (the percentages indicate growth over the previous year).

<u>Year</u>	<u>Billions of Dinars</u>	<u>Rate of Growth, %</u>
1979	147.6	38.3
1980	230.1	55.9
1981	319.7	38.9
1982	484.3	51.5
1983	912.6	88.4

In analyzing the change in the aggregate balance of the foreign exchange accounts of individuals, we must not neglect the influence of the devaluations of the dinar which amounted to 30 percent in 1980 and 20 percent in 1982. The reason is that the devaluations automatically bring about an increase in the aggregate balance of these accounts.

However, in connection with the constant growth in the value of these accounts we must take into account the circumstance that aside from the devaluations which have been carried out and the ever larger depositing of foreign currencies in the accounts, an important role has also been played by the decline in the value of the dinar against foreign currencies. This can be sufficiently illustrated by citing the fact that the rise in rates of exchange were as follows in 1983 for the six currencies shown in the table.

<u>Currency</u>	<u>Rate of Growth, %</u>
U.S. dollar	102.1
Swiss franc	84.7
Swedish krona	83.1
German mark	74.3
Austrian schilling	74.0
French franc	61.3

In speaking about foreign exchange savings, we need at the same time to mention the figure on the aggregate dinar savings. As of 31 December 1983, the aggregate balance of dinar savings accounts was 368.0 billion dinars, which represents 40.3 percent of the value of foreign exchange savings.

STATUS OF INVESTMENT FUNDS IN KOSOVO PROVINCE

Belgrade KOMUNIST in Serbo-Croatian 9 Mar 84 p 11

[Article by Zarko Bakic: "A Slowness Imposed by Several Factors"]

[Excerpt] Instead of achieving the anticipated growth rate, investments have over the last 3 years recorded a real rate of decline of 6.9 percent. These trends in investment activity have been affected the most by the unfavorable conditions for the conduct of economic activity, by the high rise of prices, and by the slow inflow of resources of the Federal Fund for the Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo, but also by the numerous and long delays which are a consequence of subjective shortcomings. That is why there has been a further deterioration in the share of investments made in Kosovo in the structure of total Yugoslav investments. Whereas that share was 4 percent in 1980, 2 years later it had dropped to 3.3 percent.

Moreover, domestic and foreign credits are the source of financing to the greatest extent, and very rarely are the resources of Kosovo organizations of associated labor themselves the source. The agreement on special measures to stimulate the faster development of Kosovo accentuated the commitment of associated labor from the entire country to completion of certain projects in the fuel and power industry, nonferrous metallurgy and other activities in which this is socially justified and in the common interest. Yet those opportunities have not been taken advantage of.

Most of the capital to finance investments in Kosovo comes from the Federal Fund ... (62 percent). However, they have not been arriving at the anticipated pace, so that this, along with the lack of stable sources of financing, has aggravated still more the problems of liquidity and furnishing funds to finance projects under construction and to carry out new capital investment programs.

Irregular Inflow and Poor Use of Resources

Over the last 3 years the resources of the Federal Fund ... committed to the economy of Kosovo amounted to 57,539.6 million dinars (50 percent which must be paid in and 50 percent for pooling). However, the inflow has been 45,434 million dinars, or 79 percent of the funds anticipated. There has been an

especially long lag in the inflow of those resources of the Federal Fund ... which are to be pooled. That is, only 12.4 percent of the funds envisaged by self-management accords on the pooling of labor and capital has been realized. It must be said here that even these incomplete resources have not been fully utilized, but only 34,417.5 million dinars.

Nor has the necessary level of utilization been achieved with respect to another sizable source of financing--foreign credit, which has a share of 16 percent in investment capital for Kosovo's development. This especially applies to the resources of the International Bank for Reconstruction and Development, which represents the largest portion. For example, in 1975 funds were approved in the amount of \$575.8 million, but only \$230.4 million, or 40 percent, have been used. And in just the last 3 years \$264 million were approved, but the rate of utilization has been similar. It must be hoped that this will not be the case with this year's installment of \$132.5 million. In any case, this low utilization of foreign credit has been influenced by the low level of the engineering and technological preparedness of the project plans, slowness in the process of pooling labor and capital, difficulties obtaining consent to import equipment, large differences in rates of exchange between the moment when the loans were approved and the time when the funds are withdrawn, difficulties in putting up the investor's own share.

In any case, the share of the resources of associated labor in Kosovo itself in financing investment activity has continued to be very small. This is above all a consequence of the high level of indebtedness of the Kosovo economy both abroad and in the country, and of its low rate of accumulation, since last year alone the obligations of the Kosovo economy to foreign countries amounted to \$183 million (it is anticipated that they will amount to \$174 million this year), while its total debt exceeds the Yugoslav average 2.2-fold.

#### This Year's Predictions

According to the predictions in the Resolution on Socioeconomic Development and Economic Policy, somewhat more intensive investment activity is anticipated this year. Activation of a portion of social capital tied up in investment projects now under way (36 projects are to be put into operation this year, 25 of them new construction and 11 expansion and reconstruction) will create more room for committing sizable investment resources to new projects, especially those which will contribute to the planned improvement of the economic structure, to more productive employment and to more stable conduct of economic activity.

In any case, it is anticipated that this year investments will be 2.2 percent greater than last year, that those in the economy will increase by 3.1 percent, while those in noneconomic activities will drop 3.6 percent. If this growth rate is in fact to be achieved, 48,712.4 million dinars will to be invested.

Of course, the preconditions for investment activity to follow this course are a punctual inflow of resources of the Federal Fund, consistent performance

of joint development programs on the basis of pooled labor and capital, more effective and complete use of the resources of the International Bank for Reconstruction and Development, reduction of overruns of both construction cost and construction time, higher efficiency in the construction industry, and preparation of quality programs and designs.

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